NEW ISSUE
DTC BOOK-ENTRY ONLY
CUSIP+ NO. 238848 CS2

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

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "LEGAL MATTERS – Tax Matters."

$10,600,000
DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012-2013 TAX AND REVENUE ANTICIPATION NOTE

Dated: Date of Delivery **Due: May 1, 2013**

The Davis Joint Unified School District (Yolo County, California) 2012-2013 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Davis Joint Unified School District (the "District") during the fiscal year ending June 30, 2013 (the "Fiscal Year"). The Notes will be initially issued in book-entry form only through the book-entry system of The Depository Trust Company, New York, New York ("DTC"). See "THE NOTES—DTC Book-Entry Only" herein.

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

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

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

The Notes will be dated their date of delivery. The rate of interest and the offering price for the Notes are set forth below. The Yolo County Auditor-Controller and Treasurer-Tax Collector, as paying agent on the Notes, will pay the principal of and interest on the Notes at maturity by wire transfer to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the owners of the Notes. The Notes are not subject to redemption prior to maturity.

MATURITY SCHEDULE

AMOUNT	MATURITY	COUPON INTEREST RATE	REOFFERING YIELD
$10,600,000	May 1, 2013	1.000%	0.290%

The Notes are being purchased for re-offering by Jefferies & Company, Inc. as Underwriter. The Notes are offered when, as and if issued by the County of Yolo on behalf of the District and received by the Underwriter, subject to approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC in New York, New York on or about September 6, 2012.

This Official Statement is dated August 23, 2012

+ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The District, the County and the Underwriter make no representation as to the accuracy or completeness of such information.

THIS OFFICIAL STATEMENT IS SUBMITTED WITH RESPECT TO THE SALE OF THE NOTES REFERRED TO HEREIN AND MAY NOT BE REPRODUCED OR USED, IN WHOLE OR IN PART, FOR ANY OTHER PURPOSE. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE NOTES.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, IN RELIANCE UPON EXCEPTIONS THEREIN FOR THE ISSUANCE AND SALE OF MUNICIPAL SECURITIES. THE NOTES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE NOTES BY A PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE AN OFFER, SOLICITATION OR SALE.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED HEREIN, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT.

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

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 SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED CHANGE.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

$10,600,000
DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

DISTRICT BOARD OF EDUCATION

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

DISTRICT ADMINISTRATION

Winfred B. Roberson, Jr., Superintendent
Bruce Colby, Associate Superintendent Business Services
Dr. Clark Bryant, Associate Superintendent of Instructional Services and Elementary Education
Matt Best, Assistant Superintendent Human Resources

Davis Joint Unified School District
526 B Street
Davis, California 95616
(530) 757-5300

FINANCIAL ADVISOR

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Sacramento, California 95814-5609
(916) 444-5100

BOND COUNSEL

Kronick, Moskovitz, Tiedemann & Girard
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Sacramento, California 95814-4417
(916) 321-4500

PAYING AGENT

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

$10,600,000
DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

TABLE OF CONTENTS

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OFFICIAL STATEMENT

$10,600,000
DAVIS JOINT UNIFIED SCHOOL DISTRICT
(YOLO COUNTY, CALIFORNIA)
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and attached appendices, is to provide certain information concerning the sale and delivery of the Davis Joint Unified School District (Yolo County, California) 2012-2013 Tax and Revenue Anticipation Notes (the "Notes") issued in the aggregate principal amount of $10,600,000.

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

General

This Official Statement has been prepared under the direction of the Davis Joint Unified School District (the "District") in order to furnish information with respect to the sale and delivery of the Notes. At the request of the District, the Notes have been authorized pursuant to a resolution (the "Resolution") of the Board of Supervisors (the "County Board") of Yolo County (the "County") adopted on May 15, 2012.

The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the State Government Code (the "Law"), and under such statute the Notes represent the general obligation of the District, but are payable solely from taxes, income, revenue, cash receipts and other moneys of the District attributable to the fiscal year commencing on July 1, 2012, and ending on June 30, 2013 (the "Fiscal Year"), and legally available therefor.

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

Professionals Involved

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

Other Information

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

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

THE NOTES

Authority for Issuance

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

Purpose of Issue

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

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

Description of the Notes

The Notes are being issued as fully registered Notes, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only and only in authorized denominations of $5,000 principal amount or any integral multiple thereof. So long as Cede & Co. is the registered owner of the Notes, principal, premium, if any, and interest on the Notes will be payable to Cede & Co., as nominee for DTC, which is obligated to remit such amounts to the Direct or Indirect Participants, as hereinafter defined, for subsequent disbursement to the actual purchasers (the "Beneficial Owners") of the Notes. See "THE NOTES—DTC Book-Entry Only" herein.

The Notes will be dated their date of delivery and will mature on May 1, 2013. Principal of and the final interest payment on the Notes will be paid, at maturity, at the rate of interest stated on the cover page hereof. Interest on the Notes is computed on the basis of a 360-day year consisting of twelve 30-day months. The Notes will not be subject to redemption prior to their stated maturity date. The Yolo County Auditor-Controller and Treasurer-Tax Collector (the "County Treasurer-Tax Collector"), in its capacity as paying agent on the Notes (the "Paying Agent"), will pay all principal and interest with respect to the Notes only to DTC.

DTC Book-Entry Only

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

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

DTC, New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, 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 a Standard & Poor's rating of AA+. 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.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note 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, Note 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.

Investment of Operating Funds, Note Proceeds, and Repayment Funds

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

Upon delivery of the Notes, the County Treasurer-Tax Collector will deposit the Note proceeds in the Davis Joint Unified School District 2012-2013 Tax and Revenue Anticipation Notes Proceeds Fund (the "Proceeds Fund"). Funds pledged for repayment of the Notes will be deposited in a fund to be held on behalf of the District by the County Treasurer-Tax Collector separate and distinct from all other County and District funds and accounts designated the Davis Joint Unified School District 2012-2013 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund").

Subject to any additional restrictions imposed by the investment policy of the County, the County Treasurer-Tax Collector may invest moneys in the Proceeds Fund and Repayment Fund (i) in any investments permitted by the Government Code, notwithstanding any limitations contained therein as to the maximum proportion of such funds that may be invested in any particular investment and meeting Standard & Poor's criteria for investments, or any equivalent criteria of any rating agency then rating the Notes; (ii) in investment agreements, including guaranteed investment contracts, whose issuer or guarantor of issue is rated "AAA" by Standard & Poor's, or an equivalent rating of any rating agency then rating the Notes; and (iii) in the Local Agency Investment Fund within the treasury of the State. See "COUNTY POOLED INVESTMENT FUND" and "APPENDIX D – COUNTY OF YOLO 2012 INVESTMENT POLICY" herein.

Sources and Uses of Funds

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

Sources and Uses of Funds
Davis Joint Unified School District
2012-2013 Tax and Revenue Anticipation Notes

SOURCES OF FUNDS	
Par Amount of Notes	$10,600,000.00
Original Issue Premium	48,972.00
TOTAL SOURCES OF FUNDS	$10,648,972.00
USES OF FUNDS	
Proceeds Fund	$10,647,276.00
Underwriter's Discount	1,696.00
TOTAL USES OF FUNDS	$10,648,972.00

SECURITY AND SOURCES OF REPAYMENT FOR THE NOTES

Security for the Notes and Available Sources of Repayment

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

As security for the timely payment of the Notes and the interest thereon, the District has pledged for repayment of the Notes, (i) an amount equal to 50% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the County on behalf of the District in or attributable to the month ending January 2013, and (ii) an amount equal to 50% of the aggregate principal amount of the Notes from the Unrestricted Revenues to be received by the County on behalf of the District in or attributable to the month ending April 2013, plus an amount sufficient to pay at maturity interest on the Notes. The amounts pledged by the District for transfer to and deposit by the County Treasurer-Tax Collector into the Repayment Fund from the Unrestricted Revenues received during such month or months are hereinafter called the pledged revenues (the "Pledged Revenues"). The principal of the Notes and the interest thereon will constitute a first lien and charge against, and will be payable from, the first moneys received by the District from the Pledged Revenues.

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

The following table identifies the Pledged Revenue dates and amounts.

Pledge Amounts and Dates
Davis Joint Unified School District

	Size of Note	Pledged Revenues January 2013	Pledged Revenues April 2013	Total
2012-2013 Notes	$10,600,000.00	$5,300,000.00	$5,369,194.44	$10,669,194.44

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

On the maturity date of the Notes, the County Treasurer-Tax Collector, in its capacity as paying agent on the Notes, will apply moneys in the Repayment Fund to pay the principal of and the interest on the Notes. Until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund will be applied only for the purpose for which the Repayment Fund has been created.

Actual and Projected Monthly Cash Flows

The District has prepared for use in this Official Statement the following cash flow statements that show actual cash receipts and disbursements for fiscal year 2011-12, and projected cash receipts and disbursements for the Fiscal Year, reflecting projected cuts to the District in the event voters do not approve of the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election (see "STATE FUNDING OF PUBLIC EDUCATION – The 2012-13 State Budget" herein).

The District's cash flow statements reflect the currently enacted State payment deferrals, including additional cuts pursuant to Senate Bill 1016, in the event voters do not approve The Schools and Local Public Safety Protection Act. The District updates its cash flow projections during the fiscal year when it submits to the County Office of Education its first interim and second interim financial reports no later than December 15 and March 15 respectively. Copies of the District's interim reports for the Fiscal Year are available to prospective investors and/or their representatives upon request by contacting the District or the District's financial advisor at the addresses and telephone numbers set forth on page "iii" of this Official Statement.

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DAVIS JOINT UNIFIED SCHOOL DISTRICT
ACTUAL MONTHLY CASH FLOW OF THE GENERAL FUND
FISCAL YEAR 2011-12

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
General Fund Cash Balance	$7,147,072												
Plus Other Available Funds:	$1,038,527												
Beginning Available Cash Balance	$8,185,599	$16,437,480	$16,184,622	$15,561,408	$10,585,863	$9,588,834	$6,710,913	$18,059,886	$14,993,747	$8,781,400	$14,852,594	$9,757,589	$8,185,599
Plus Other Available Funds Activity	$0	($17,670)	($30,978)	($17,672)	($22,120)	($31,852)	($19,354)	($18,895)	($32,189)	$67,048	($26,489)	$36,115	($114,056)
ADJUSTED BEGINNING CASH	$8,185,599	$16,419,810	$16,153,644	$15,543,736	$10,563,743	$9,556,982	$6,691,559	$18,040,991	$14,961,558	$8,848,448	$14,826,105	$9,793,704	$8,071,543
RECEIPTS													
Revenue Limit Sources													
Property Tax	$0	$0	$0	$349	$493,534	$47,009	$10,667,518	$43,248	($447,391)	$9,114,384	$76,375	$925,857	$20,920,883
State Aid	$0	$0	$2,365,560	$0	$1,769,961	$1,804,894	$4,951,993	$91,022	$0	$1,194,930	$411,000	$0	$12,589,360
Other	$9,936	($47,562)	($102,916)	($62,131)	($63,432)	($136,645)	($76,228)	($78,250)	($99,857)	($61,319)	($61,562)	($184,868)	($964,835)
Federal Revenues	$0	$0	$0	$0	$1,638,343	$198,239	$32,347	$698,840	$426,766	$392,568	$16,210	$99,563	$3,502,877
Other State Revenues	$141,139	$176,907	$797,234	$210,354	$663,327	$477,186	$1,077,275	$870,120	$26,047	$1,002,932	$426,796	$415,199	$6,284,515
Other Local Revenues	$249	$9,008	$730,016	$53,190	$788,409	$395,524	$5,513,753	$1,041,456	$436,100	$4,736,624	$239,232	$8,500	$13,952,061
Interfund Transfers In	$0	$0	$0	$0	$0	$0	$329,010	$0	$0	$0	$0	$0	$329,010
Other Receipts	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Prior Year Receipts	$2,950,110	$3,938,838	$2,663,727	$796,539	$1,330,930	$12,944	$669,011	$170,712	$68,187	$0	$0	$0	$12,600,999
Note Proceeds	$9,124,650	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$9,124,650
TOTAL RECEIPTS	$12,226,084	$4,077,191	$6,453,621	$998,301	$6,621,072	$2,799,150	$23,164,681	$2,837,149	$409,852	$16,380,119	$1,108,050	$1,264,251	$78,339,520
DISBURSEMENTS													
Certificated Salaries	$263,272	$796,171	$3,224,515	$3,305,475	$3,282,042	$3,315,947	$3,258,346	$3,274,949	$3,298,849	$3,330,617	$3,274,581	$3,572,738	$34,197,502
Classified Salaries	$405,968	$712,736	$1,089,361	$1,114,844	$1,123,882	$1,137,350	$1,118,802	$1,110,106	$1,156,892	$1,130,750	$1,107,057	$1,324,789	$12,532,537
Employee Benefits	$189,788	$382,814	$1,058,514	$1,021,205	$1,055,549	$1,061,701	$1,060,350	$1,051,454	$1,083,690	$1,043,531	$1,058,909	$1,777,194	$11,844,699
Books, Supplies and Services	$410,558	$442,625	$619,246	$1,270,346	$1,052,668	$632,185	$1,671,433	$903,746	$983,947	$835,559	$1,313,764	$2,094,012	$12,230,089
Capital Outlay	$0	$13,072	$0	$0	$0	$0	$24,531	$9,585	$10,948	($402)	$6,338	$0	$64,072
Other Outgo	$0	$0	$0	$0	$0	$0	$0	$0	$96,662	$7,066	($1,004)	$0	$102,724
Interfund Transfers Out	$0	$0	$0	$0	$0	$0	$1,000	$0	$0	$0	$0	$72,359	$73,359
All Other Financing Uses	($72,006)	($87,440)	($396,309)	($757,805)	($489,830)	($501,964)	($61,884)	($468,597)	($103,271)	($621,148)	($583,079)	($2,097,087)	($6,240,419)
Prior Year Disbursements	$2,776,623	$2,052,401	$1,450,530	$2,108	$1,571,669	$0	$223,776	$3,150	$62,293	$0	$0	$0	$8,142,550
Note Pledge		$0	$0	$0	$0	$0	$4,500,000	$0	$0	$4,650,000	$0	$0	$9,150,000
TOTAL DISBURSEMENTS	$3,974,203	$4,312,379	$7,045,857	$5,956,173	$7,595,980	$5,645,219	$11,796,354	$5,884,393	$6,590,010	$10,375,973	$6,176,566	$6,744,005	$82,097,113
NET CHANGE CASH	$8,251,881	($235,188)	($592,236)	($4,957,873)	($974,909)	($2,846,069)	$11,368,327	($3,047,244)	($6,180,158)	$6,004,146	($5,068,516)	($5,479,754)	($3,757,593)
ENDING CASH	$16,437,480	$16,184,622	$15,561,408	$10,585,863	$9,588,834	$6,710,913	$18,059,886	$14,993,747	$8,781,400	$14,852,594	$9,757,589	$4,313,949	$4,313,949

2011-12 NOTE REPAYMENT FUND													
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$4,500,000	$4,500,000	$4,500,000	$9,150,000	$0	$0
Receipts	0	0	0	0	0	0	4,500,000	0	0	4,650,000	0	0	$9,150,000
Disbursements	0	0	0	0	0	0	$0	0	0	0	9,150,000	0	$9,150,000
Ending Balance	$0	$0	$0	$0	$0	$0	$4,500,000	$4,500,000	$4,500,000	$9,150,000	$0	$0	$0

DAVIS JOINT UNIFIED SCHOOL DISTRICT
PROJECTED MONTHLY CASH FLOW OF THE GENERAL FUND
FISCAL YEAR 2012-13

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTAL
General Fund Cash Balance	$3,389,478												
Plus Other Available Funds:	$924,471												
Beginning Available Cash Balance	$4,313,949	$5,692,081	$4,434,918	$13,823,583	$9,759,114	$6,358,693	$3,065,751	$10,011,107	$6,919,040	$2,183,716	$7,171,346	$2,422,226	$4,313,949
Plus Other Available Funds Activity	($26,769)	($26,769)	($108,928)	($26,769)	$16,112	($126,769)	($25,188)	$8,913	$68,399	($66,127)	($36,456)	$42,123	($308,231)
ADJUSTED BEGINNING CASH	$4,287,180	$5,665,311	$4,325,989	$13,796,814	$9,775,226	$6,231,924	$3,040,563	$10,020,020	$6,987,439	$2,117,588	$7,134,889	$2,464,349	$4,005,718
RECEIPTS													
Revenue Limit Sources													
Property Tax	$0	$0	$0	$349	$493,534	$47,009	$9,129,000	$0	$86	$9,129,000	$0	$1,200,000	$19,998,978
State Aid	$0	$265,463	$1,671,582	$638,544	$1,181,658	$1,181,658	$2,282,338	$340,403	$192,490	$1,112,390	$490,312	$0	$9,356,837
Other	($69,798)	($148,355)	($95,984)	($95,984)	($95,984)	($95,984)	($95,984)	($174,541)	($82,891)	($82,891)	($82,891)	($82,891)	($1,204,178)
Federal Revenues	$0	$0	$0	$0	$213,212	$198,239	$32,347	$698,840	$426,766	$392,568	$16,210	$99,563	$2,077,746
Other State Revenues	$141,139	$176,907	$597,234	$210,354	$663,327	$477,186	$1,077,275	$570,120	$26,047	$1,002,932	$426,796	$415,199	$5,784,515
Other Local Revenues	$249	$234	$506,447	$22,641	$403,999	$395,424	$5,355,049	$641,919	$436,100	$4,711,274	$239,232	75,891.00	$12,788,457
Interfund Transfers In	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Receipts	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Prior Year Receipts	$5,651,100	$3,842,474	$2,663,727	$796,539	$0	$0	$1,093,474	$0	$0	$0	$0	$0	$14,047,314
Note Proceeds	$0	$0	$10,647,276	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10,647,276
TOTAL RECEIPTS	$5,722,690	$4,136,722	$15,990,281	$1,572,442	$2,859,747	$2,203,532	$18,873,500	$2,076,741	$998,598	$16,265,273	$1,089,658	$1,707,762	$73,496,945
DISBURSEMENTS													
Certificated Salaries	$263,272	$796,171	$3,084,515	$3,165,475	$3,142,042	$3,175,947	$3,118,346	$3,134,949	$3,175,947	$3,175,947	$3,175,947	$3,185,947	$32,594,505
Classified Salaries	$405,968	$712,736	$1,077,961	$1,103,444	$1,112,482	$1,125,950	$1,107,402	$1,098,706	$1,125,950	$1,125,950	$1,125,950	$1,189,657	$12,312,156
Employee Benefits	$189,788	$382,814	$1,014,399	$977,090	$1,011,434	$1,017,586	$1,016,235	$1,007,275	$1,017,586	$1,017,586	$1,017,586	$1,017,586	$10,686,965
Books, Supplies and Services	$410,558	$442,625	$261,592	$1,051,937	$942,668	$552,185	$1,401,433	$405,388	$972,668	$972,668	$972,668	$1,006,021	$9,392,411
Capital Outlay	$0	$0	$0	$0	$0	$0	$21,424	$0	$0	$0	$0	$0	$21,424
Other Outgo	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers Out	$0	$0	$0	$70,000	$0	$0	$0	$0	$0	$40,000	$0	$0	$110,000
All Other Financing Uses	($72,006)	($87,440)	($396,309)	($757,805)	($489,830)	($501,964)	($61,884)	($468,597)	($489,830)	($489,830)	($489,830)	($489,830)	($4,795,154)
Prior Year Disbursements	$3,120,210	$3,120,210	$1,450,530	$0	$557,483	$0	$0	$0	$0	$0	$0	$0	$8,248,433
Note Pledge	$0	$0	$0	$0	$0	$0	$5,300,000	$0	$0	$5,369,194	$0	$0	$10,669,194
TOTAL DISBURSEMENTS	$4,317,790	$5,367,116	$6,492,688	$5,610,141	$6,276,279	$5,369,704	$11,902,956	$5,177,721	$5,802,321	$11,211,515	$5,802,321	$5,909,381	$79,239,934
DRAWS ON OTHER FUNDS	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,853,741	$1,853,741
NET CHANGE CASH	$1,404,900	($1,230,394)	$9,497,594	($4,037,699)	($3,416,533)	($3,166,173)	$6,970,544	($3,100,980)	($4,803,723)	$5,053,757	($4,712,663)	($2,347,878)	($3,889,248)
ENDING CASH	$5,692,081	$4,434,918	$13,823,583	$9,759,114	$6,358,693	$3,065,751	$10,011,107	$6,919,040	$2,183,716	$7,171,346	$2,422,226	$116,471	$116,471

2012-13 NOTE REPAYMENT FUND													
Beginning Balance	$0	$0	$0	$0	$0	$0	$0	$5,300,000	$5,300,000	$5,300,000	$10,669,194	$0	$0
Receipts	0	0	0	0	0	0	5,300,000	0	0	5,369,194	0	0	10,669,194
Disbursements	0	0	0	0	0	0	0	0	0	0	10,669,194	0	10,669,194
Ending Balance	$0	$0	$0	$0	$0	$0	$5,300,000	$5,300,000	$5,300,000	$10,669,194	$0	$0	$0

Other District Funds

The State Education Code authorizes school districts to temporarily transfer up to 75% of the maximum cash balance held in a specific purpose fund during the fiscal year to any other district fund by district board action, provided that the transferred cash is repaid to the original fund within the same fiscal year, or, if transferred within the final 120 days of the fiscal year, by the following fiscal year. However, depending upon circumstances, other State or federal law, grant or contractual restrictions may further restrict or prevent such temporary cash transfers.

The District maintains certain segregated and special purpose funds outside of the General Fund. These other District funds are not pledged to the payment of the Notes and are generally restricted in purpose. However, these other District funds could be accessed by the General Fund on a temporary basis through action of the District Board of Education (the "District Board"), if needed and to the extent monies are available therein.

The District is projecting cash balances in certain other District funds, in aggregate, as set forth below.

Other District Funds
Davis Joint Unified School District

Fund	Audited Balance as of June 30, 2011	Projected Balance as of June 30, 2012	Projected Balance as of May 1, 2013
Charter School Special Revenue Fund	$530,278	$622,660	$468,660
Self-Insurance Fund	1,062,120	1,181,468	1,181,468
Capital Projects	3,026,238	2,148,613	1,550,373
Capital Facilities	856,263	1,158,013	1,551,013
	$5,474,899	$5,110,754	$4,751,514

Borrowing from Other Agencies

The State Constitution and the State Education Code allow school districts to borrow County-held funds of other agencies up until the last Monday in April of each fiscal year in amounts that do not exceed 85% of revenues accrued. The District does not anticipate that it will request the County Treasurer-Tax Collector to make temporary transfers of funds in the County Treasurer-Tax Collector's custody to meet any obligations of the District during the Fiscal Year.

Bankruptcy Risks

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

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

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

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

COUNTY POOLED INVESTMENT FUND

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been approved by the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County of Yolo, Office of the Treasurer-Tax Collector, 625 Court Street, Room 102, Woodland, CA 95695, Telephone (530) 666-8625.

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

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

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The portfolio structure of the County Pool as of June 30, 2012 is set forth on the following table:

Yolo County Pooled Investment
As of June 30, 2012

	Market Value
SECURITIES HELD BY PFM ASSET MNGMT. LLC	
Treasury Pool	
Corporate Note	$29,525,139
Federal Agency Bond/Note	66,318,594
Certificate of Deposit	19,977,335
US Treasury Bond/Note	25,734,745
Accrued Interest	502,992
Total Treasury Pool	$142,058,805
Landfill Closure Trust Fund	
US Treasury Bond/Note	$4,616,248
Federal Agency Bond/Note	8,516,087
Accrued Interest	95,926
Total Landfill Closure Trust Fund	$13,228,261
Davis JUSD CFD#1 Fund	
US Treasury Bond/Note	$2,363,491
Federal Agency Bond/Note	9,284,272
Accrued Interest	122,099
Total Davis JUSD CFD#1 Fund	$11,769,863
Cache Creek Fund	
US Treasury Bond/Note	$1,019,240
Federal Agency Bond/Note	406,122
Accrued Interest	8,700
Total Cache Creek Fund	$1,434,063
OTHER	
California Asset Management Program	$66,354,387
Local Agency Investment Fund (LAIF)	30,609,159
Checking Account	10,092,232
Total	$107,055,778
TOTAL POOLED PORTFOLIO	$275,546,769

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

THE DISTRICT

General Information

The District, a political subdivision of the State of California, was established on July 1, 1962. The District provides elementary and secondary education in the south-central region of the County and a portion of the northeastern region of the unincorporated area in Solano County. All of the District's schools are located in the County. The District is located 13 miles west of

Sacramento and 72 miles northeast of San Francisco. The District is traversed east-west by Interstate 80, the main route between San Francisco and Sacramento, and north-south via State Highway 113.

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

The District Board of Education and Key Administrative Personnel

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

The current members of the District Board are set forth below.

The Board of Education
Davis Joint Unified School District

Name	Title	Term Expires
Susan Lovenburg	President	December 2012
Sheila Allen	Vice President/Clerk	December 2014
Richard Harris	Member	December 2012
Gina Daleiden	Member	December 2014
Tim Taylor	Member	December 2014

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

Average Daily Attendance

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

Average Daily Attendance
Davis Joint Unified School District

	2007-08	2008-09	2009-10	2010-11	2011-12
P-2 ADA	8,137	8,219	7,748	7,787	7,786

Note: ADA for fiscal year 2011-12 is budgeted.

Charter Schools

There is one charter school operating within the District, the Da Vinci Academy, serving grades seven through twelve at two locations. The Da Vinci Academy is a fiscally dependent school, operating under the control of the District with its financial activities presented in the District's financial statements.

To the extent charter schools draw students from District schools and reduce District enrollment, charter schools can adversely affect District revenues. Pursuant to Proposition 39, school districts are required to provide facilities comparable to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

Parcel Tax

In November 2007, voters within the District approved a parcel tax to support educational programs and services such as reduced class size, enhanced reading and math programs, training for teachers, school-based technology support, and other services (known as "Measure Q"). The measure was effective on July 1, 2008 and expired June 30, 2012.

In November 2008, voters within the District approved a parcel tax to preserve existing classroom programs including math and science, English, music, physical education, librarians, secondary class size reduction, athletics and co-curricular programs including drama, debate, and journalism (known as "Measure W"). The measure is effective on July 1, 2009 and expired June 30, 2012.

In May 2011, voters within the District approved a parcel tax to fund essential school programs including core subjects, elective classes, reduced class sizes, counselors and school site safety (known as "Measure A"). The measure is effective on July 1, 2011 and expires June 30, 2013. The District collects $20.00 per dwelling unit for multi-dwelling parcels and $200.00 per parcel for all other parcels. The parcel tax is not pledged to support any bond or other form of long-term debt.

In March 2012, voters within the District approved a parcel tax known as "Measure C," which is set to be effective upon the expiration of Measure Q and Measure W (both of which are set to expire on June 30, 2012). Measure C will preserve existing classroom programs including math, science, English and music; key school-based personnel including librarians, nurses, counselors, school technology and reading specialists; and other programs such as athletics, drama, student nutrition and class size reduction. The District will collect up to $150.00 per unit for multi-dwelling parcels and up to $320.00 per parcel for all other parcels. The measure is effective from July 1, 2012 through June 30, 2017.

These parcel taxes generated approximately $9.68 million in fiscal year 2011-12 and are budgeted to generate approximately $9.75 million in fiscal year 2012-13.

Pupil-Teacher Ratios

The following table shows the pupil-to-teacher ratios for District schools for fiscal year 2010-11.

Pupil-To-Teacher Ratios
Davis Joint Unified School District

Level	Fiscal Year 2010-11 Pupil-Teacher Ratio
Elementary	21:3
Junior High	23:8
High School	25.2
Alternative	16.8
Continuation	13.8

Source: Education Data Partnership.

Employee Relations

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

The District has two recognized bargaining units representing its non-management employees. The Davis Teachers Association is the exclusive bargaining unit for the non-management, certificated personnel of the District. The District's second bargaining unit, the California School Employees' Association, Chapter 572 represents the District's non-management classified employees in the following categories: business operations, clerical/secretarial, food service, maintenance and operations, paraprofessionals, and transportation and warehousing.

Set forth in the following table are the District's bargaining units, number of employees by full-time equivalents ("FTEs") and contract status.

Bargaining Units, Number of Employees and Contract Status
Davis Joint Unified School District

Certificated	# of FTEs	Status
Davis Teachers Association	456	In negotiations for Fiscal Year.
Classified	# of FTEs	Status
California School Employees' Association	281	In negotiations for Fiscal Year.

The District employs an additional 48 management and confidential FTEs not represented by a bargaining unit.

Pension Plans

All full-time employees of the District are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Classified employees are eligible to participate in the multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

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

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate (8.25% in 2009-10). The District's contribution to STRS for fiscal year 2009-10 was $2,992,840, for fiscal year 2010-11 was $2,802,395, and for the Fiscal Year is budgeted to be $3,016,580.

All full-time classified employees of the District participate in PERS, which provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and District resolution.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate (9.709% in 2009-10). The District's contribution to PERS for fiscal year 2009-10 was $1,150,395 for fiscal year 2010-11 was $1,245,641, and for the Fiscal Year is budgeted to be $1,378,488. For a more complete description of the District's pension plan and annual contribution requirements, see "APPENDIX A" attached hereto.

The District approved a one-time Public Agency Retirement System Supplementary Retirement Plan ("PARS") in 2009-2010. For members who met eligibility requirements, PARS provides an annuity of 80% of member's last pay from the District. In fiscal year 2009-10, the District entered into a five-year annuity to make contributions to PARS, which consists of annual payments of $621,692.05 and covered 51 eligible members.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The District implemented GASB Statement No. 45 ("GASB 45") for the fiscal year ending June 30, 2009.

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

The District provides post employment healthcare benefits as part of employees' early retirement agreement. Expenditures for OPEB are recognized on a pay-as-you-go basis. During the year ended June 30, 2011, expenditures of $294,633 were recognized for OPEB.

In November 2009, in accordance with GASB 45, Total Compensation Systems Incorporated completed an actuarial study identifying the District's OPEB liability. The study determined the District's OPEB unfunded actuarial accrued liability ("UAAL") as of May 1, 2009 to be $12,270,712, and the annual required contribution ("ARC") to be $1,274,761. The District has no plans to fund its UAAL.

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The District's basic financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the District's General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" herein for a further discussion of applicable accounting policies.

The District's independent auditor for the year ended June 30, 2011 is Crowe Horwath LLP, Sacramento, California. The financial statements of the District as of and for the year ended June 30, 2011, are set forth in "APPENDIX A" attached hereto.

Budget and Financial Reporting Process

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

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

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

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

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

The governing board must submit a budget to the County Superintendent of Schools by July 1, and a publicized opportunity for public participation in the budget process is required by law. There are two options for budget adoption. School districts may adopt their budgets by July 1 and then revise and readopt them by September 8 after a public hearing. Alternatively, school districts may decide, by the previous October 31, to hold public hearings before adopting their budgets by July 1. School districts choosing this option revise their revenues and expenditures after the State budget act is adopted, without a second public hearing. All school districts must perform a criteria and standards review before budget adoption. In addition, those school districts on the alternative schedule for adoption must repeat the review before their revision only if the July 1 budget was disapproved. Legislation requires criteria and standards for stringent review of school districts' finances, focusing primarily on predictions of actual daily attendance, operating deficit, and reserves. The legislation also dictates when and how outside committees, or an appointed trustee in emergency situations, must work with school districts. This oversight is part of an effort to reduce the number of districts in financial trouble and to increase the responsible use of tax dollars.

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

Each school district is required by the State Education Code to file these two interim reports each year by not later than December 15 and March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county offices of education must then, within 30 days, evaluate the interim reports and forward their comments to the State Department of Education and the State Controller's Office. Included in the report is a certification by the president of the governing board of each school district that classifies the school district according to its ability to meet its financial obligations. The certifications are grouped into three categories: positive certification, which designates that the school district will be able to meet its financial obligations for the remainder of the fiscal year and the following two years; qualified certification, which means that the school district may not be able to meet its financial obligations for the remainder of the fiscal year and following two years if certain events occur; and negative certification, which signifies that the school district will not be able to meet its financial obligations for the remainder of the fiscal year or of the following year. A certification by the governing board may be overridden by the county superintendent. If either the first or second interim report is not positive, the county superintendent may require the district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the district). The same calendar applies to the budgets of county offices of education, except that their budgets and reports go to the State Superintendent of Public Instruction for review.

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least ten working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the board (or the state administrator). The county superintendent will notify the school district, the county board of education, the governing board and the district superintendent (or the state administrator), and each parent and teacher organization of the school district within those ten days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years appears below.

Certifications of Interim Financial Reports
Davis Joint Unified School District

Fiscal Year	First Interim	Second Interim
2007-08	Positive	Positive
2008-09	Positive	Positive
2009-10	Positive	Positive
2010-11	Positive	Positive
2011-12	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2011, have been included in this Official Statement. See "APPENDIX A" herein. Audited financial statements and other financial reports for all prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 "N" Street, Suite 13, Sacramento, California, 95814-5609, Tel. (916) 444-5100.

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The following table sets forth historical and budgeted General Fund information for the District. Note that the District's budget for fiscal year 2012-13 assumes that voters do not approve the Governor's tax initiative, "The Schools and Local Public Safety Protection Act," triggering certain cuts to the District's funding. See "STATE FUNDING OF PUBLIC EDUCATION – The 2012-13 State Budget" herein for more information.

General Fund Activity
Davis Joint Unified School District

	2008-09 Audited	2009-10 Audit	2010-11 Audited	2011-12 Est. Actual	2012-13 Budget
BEGINNING BALANCE, JULY 1	$10,794,349	$12,107,096	$10,830,685	$11,686,691	$10,605,030
REVENUES					
Revenue Limit Sources	$46,833,014	$39,120,103	$41,172,959	$41,089,560	$37,744,455
Federal Revenue	5,722,536	5,207,224	3,069,060	4,205,149	2,555,152
Other State Revenues	7,898,601	8,756,702	8,627,218	8,829,065	8,237,443
Other Local Revenues	12,158,360	13,094,861	14,622,686	16,183,051	14,359,832
TOTAL REVENUES	$72,612,511	$66,178,890	$67,491,923	$70,306,825	$62,896,882
EXPENDITURES					
Certificated Salaries	$36,701,541	$35,162,901	$32,882,163	$34,202,113	$32,777,721
Classified Salaries	12,135,917	11,803,995	11,695,013	12,489,844	12,428,596
Employee Benefits	10,580,891	11,013,528	10,844,121	11,741,961	11,472,216
Books and Supplies	3,308,099	2,569,364	2,501,112	3,258,916	2,197,244
Contracted Services	7,987,961	6,849,787	8,180,098	9,192,474	8,172,279
Capital Outlay	150,399	105,782	43,167	64,091	21,424
Debt Service and Other Outgo	435,099	432,511	511,022	470,073	266,087
TOTAL EXPENDITURES	$71,299,907	$67,937,868	$66,656,696	$71,419,472	$67,335,567
EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES	$1,312,604	($1,758,978)	$835,227	($1,112,647)	($4,438,685)
FINANCING SOURCES (USES)	$143	$482,567	$20,779	$30,986	($180,939)
NET INCREASE (DECREASE)	$1,312,747	($1,276,411)	$856,006	($1,081,661)	($4,619,624)
ENDING BALANCE, JUNE 30	$12,107,096	$10,830,685	$11,686,691	$10,605,030	$5,985,406

Actions by the District to Address Reductions in Education Spending by the State

The District has taken steps to mitigate the loss of State funding which began in fiscal year 2008-09 and continues to be a challenge for the fiscal 2012-13 budget year. In addition to implementing various expenditure reductions (such as employee concessions, increased class sizes, across the board reductions in school site spending, use of flexibility in State categorical funding and reductions in force), the District has utilized its reserve balances above the required state minimum along with federal stimulus dollars received from the American Recovery and Reinvestment Act of 2009 to partially offset the reduction in State revenues. The District's voters also approved additional parcel taxes in May 2011 and March 2012.

If the mid-year "trigger" cuts are implemented as a result of the November 2012 tax initiatives failing (see "STATE FUNDING OF PUBLIC EDUCATION – The 2012-13 State Budget" herein for more information), the District intends to make $2.0 - $2.5 million in ongoing budget reductions in fiscal year 2012-13. The District is negotiating with its collective bargaining units for reductions tied to a mid-year "trigger" reduction if the November tax initiatives fail. The District is also investigating budget allocation reductions for discretionary spending District-wide. While the District's fiscal year 2012-13 cash flows assume the failure of the November 2012 tax initiatives and the associated mid-year "trigger" cuts, the potential mid-year budget reductions by the District are not included in the cash flow projections.

Revenues

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

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, the state revenue limit for a school district is calculated by multiplying a “base revenue limit” per student by the school district’s student enrollment measured in units of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. The District’s base revenue limit per unit of ADA was $6,490.82 in fiscal year 2011-12 (before application of a deficit factor of 0.79398) and is budgeted to be $6,702.82 (before application of a deficit factor of 0.77728).

Revenue limit sources are expected to account for approximately 58.4% of total General Fund revenues in fiscal year 2011-12, and are budgeted to be 60.0% of General Fund revenues in fiscal year 2012-13. Funding of the District’s revenue limit is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and community redevelopment funds, if any) and b) State apportionments of basic and equalization aid. State apportionments are estimated to be 54.2% of revenue limit sources in the fiscal year 2011-12 and are budgeted to be 50.2% of revenue limit sources in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for several District programs. These federal revenues, most of which historically have been restricted, were 6.0% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 4.1% of General Fund revenues in fiscal year 2012-13. Federal revenues include the revenues received pursuant to the American Recovery and Reinvestment Act signed into federal law on February 17, 2009.

Other State Revenues. In addition to apportionment revenues, the State provides funding for several District programs. These other State revenues, most of which are restricted, were 12.6% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 13.1% of General Fund revenues in fiscal year 2012-13. Included in other State revenues are proceeds received from the State from the California State Lottery.

Other Local Revenues. In addition to property taxes, District receives additional local revenues. Revenues from other local sources were 23.0% of General Fund revenues in fiscal year 2011-12 and are budgeted to be 22.8% of General Fund revenues in fiscal year 2012-13. Included in other local revenues are proceeds received from parcel taxes collected within the District.

Expenditures

The largest components of a school district’s general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated cost of living increases or changes in staffing levels, normal “step and column” advancements on the salary scale result in increased salary expenditures.

Employee salaries and benefits were approximately 81.8% of General Fund expenditures in fiscal year 2011-12 and are budgeted to be 84.2% of General Fund expenditures in fiscal year 2012-13.

Short-Term Borrowings

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds. The District has never defaulted on any of its short-term borrowings.

Capitalized Lease Obligations

The District has made use of various capital lease arrangements in the past under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. The District has promised to annually appropriate the amounts necessary to make all future lease payments from available revenues. As of June 30, 2011, the District's capital lease liability was $1,301,101. See the financial statements of the District as of and for the year ended June 30, 2011, set forth in "APPENDIX A." Since then, the District has entered into a five-year lease for computer equipment with Dell, totaling $352,670, with annual payments of $71,165. The District also plans to enter into a lease for a delivery truck, totaling $78,000.

The District's outstanding certificates of participation as of June 30, 2011 are set forth below, which includes outstanding principal of current interest certificates and accreted value of capital appreciation certificates.

Davis Joint Unified School District
Outstanding Certificates of Participation

Date Issued	Final Maturity	Amount Issued	Outstanding as of June 30, 2012	Debt Service in Fiscal Year 2011-12
August 31, 2005	August 1, 2018	$9,996,960	$11,793,440	$230,427
May 19, 2009	August 1, 2019	4,994,311	5,273,332	177,161

Long Term Borrowings

At an election held in November 2000 (the "2000 Election"), voters within the District approved the issuance of $26,000,000 aggregate principal amount of general obligation bonds for school purposes. The bonds authorized at the 2000 Election were issued in two series; the first series was issued in 2000, and the second and final series was issued in 2002. The District has no authorization remaining under the 2000 Election. In May 2010, the District issued refunding general obligation bonds to refund the bonds issued in 2000.

Outstanding General Obligation Bonds
Davis Joint Unified School District

Authorization	Issue	Final Maturity	Amount Issued	Outstanding as of June 30, 2012	Debt Service in Fiscal Year 2011-12
Election of 2000	Series 2002	August 1, 2027	$13,000,000	$9,870,000	$891,415
Refunding	Series 2010	August 1, 2025	$9,600,000	9,130,000	846,950

In an election held on November 7, 1989 (the "1989 Election"), voters within the Davis Joint Unified School District Community Facilities District No. 1 (the "CFD No. 1") approved the issuance of $33,300,000 aggregate principal amount of special tax bonds for school purposes. To date, nine bond series have been issued pursuant to this authorization, including various refunding series.

The District's outstanding bonds of CFD No. 1 as of June 30, 2012 are set forth below.

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

Issue	Final Maturity	Amount Issued	Outstanding as of June 30, 2012	Debt Service in Fiscal Year 2011-12
Series 2001	August 15, 2031	$4,943,630	$3,980,000	$315,078
Refunding Series 2006	August 15, 2025	7,370,000	6,215,000	609,813
Refunding Series 2007	August 15, 2027	22,185,000	17,000,000	1,939,888

In an election held on May 24, 1990 (the "1990 CFD No. 2 Election"), landowners within Davis Joint Unified School District Community Facilities District No. 2 (the "CFD No. 2") authorized the issuance of $70,000,000 principal amount of bonds to fund the rehabilitation and expansion of facilities within CFD No. 2 and levy a special tax to pay for the facilities including the principal and interest on the bonds. To date, seven bond series have been issued pursuant to this authorization, including various refunding series.

The District's outstanding bonds of CFD No. 2 as of June 30, 2012 are set forth below.

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

Issue	Final Maturity	Amount Issued	Outstanding as of June 30, 2012	Debt Service in Fiscal Year 2011-12
CFD No. 2 Series 1997	August 15, 2024	$3,745,000	$2,370,000	$257,913
1998 CFD No. 2 Refunding Series	August 15, 2022	7,290,000	4,640,000	587,048
CFD No. 2 Series 2001	August 15, 2028	14,500,000	11,050,000	969,903
CFD No. 2 Series 2004	August 15, 2029	11,000,000	8,850,000	709,200
2012 CFD No. 2 Refunding Series	August 15, 2028	17,450,000	17,450,000	0

The District has never defaulted on any of its long-term bonded indebtedness. All long term bonded indebtedness of the District as of June 30, 2011, is set forth in "APPENDIX A" attached hereto.

TAXATION AND APPROPRIATIONS

Ad Valorem Property Taxation

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

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

Taxation of State-Assessed Utility Property

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

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

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

Historical Assessed Valuations

Set forth in the table below are 10 years of historical assessed valuation for the District. Total Secured Assessed Value for the District includes net local secured, secured homeowner exemption and utility values. Total Unsecured Assessed Values for the District includes net local unsecured and unsecured homeowner exemption values.

Historical Total Secured and Unsecured Assessed Valuation
Davis Joint Unified School District

Fiscal Year	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Rate of Change
2002 - 03	$4,356,400,373	$177,018,263	$4,533,418,636	7.79%
2003 - 04	4,677,584,352	168,042,816	$,845,627,168	6.89%
2004 - 05	5,026,987,279	165,982,728	5,192,970,007	7.17%
2005 - 06	5,468,242,023	174,165,914	5,642,407,937	8.65%
2006 - 07	5,965,072,017	174,957,785	6,140,029,802	8.82%
2007 - 08	6,327,584,034	182,099,985	6,509,684,019	6.02%
2008 - 09	6,531,901,621	198,828,261	6,730,729,882	3.40%
2009 - 10	6,726,509,648	195,077,855	6,921,587,503	2.84%
2010 - 11	6,748,232,041	197,460,354	6,945,692,395	0.35%
2011 -12	6,763,358,403	192,911,390	6,956,269,793	0.15%

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

Alternative Method of Tax Apportionment

The Board of Supervisors of Yolo County and the Board of Supervisors of Solano County have both approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to sections 4701 through 4717 of the State's Revenue & Taxation Code. The Teeter Plan guarantees distribution of all *ad valorem* taxes levied to the taxing entities within a county, with the county retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The county cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus 1% of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the county's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the county if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls in that agency.

As long as the Teeter Plan remains in effect in both Yolo County and Solano County, the District will be credited with the full amount of the tax levy no matter the delinquency rate within the District.

Largest Taxpayers

The 20 largest taxpayers in the District own property that comprises 6.25% of the total assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the 2010-11 secured tax roll, and the amount of each owner's assessed valuation for all taxing jurisdictions within the District are shown below.

Largest Taxpayers
Davis Joint Unified School District

	Property Owner	Primary Land Use	2011-12 Assessed Valuation	% of Total[1]
1.	Sequoia Equities-Cypress	Apartments	$ 41,446,380	0.61%
2.	Kirkwood Village Associates	Apartments	35,602,970	0.53
3.	Target Corporation	Commercial	29,159,481	0.43
4.	KW Davis LLC	Apartments	24,424,456	0.36
5.	Fine Arts LP	Apartments	23,926,712	0.35
6.	Marketplace Center Inc.	Shopping Center	22,561,078	0.33
7.	Olive Drive Partners	Apartments	22,457,163	0.33
8.	VTR Covell LP	Assisted Living	22,089,115	0.33
9.	Buzz Oates LLC	Office Building	21,030,144	0.31
10.	WGA Sycamore Lane LP	Apartments	19,556,977	0.29
11.	SE-Davis LLC	Apartments	19,407,559	0.29
12.	Centro Watt Property Owner	Shopping Center	19,282,367	0.29
13.	Adobe at Evergreen Apartments LLC	Apartments	16,762,902	0.25
14.	SEC Greystone Investors LP	Apartments	16,036,064	0.24
15.	Ten Davis LLC	Office Building	15,282,404	0.23
16.	SFC Stonegate Village Investors LLC	Apartments	15,215,984	0.22
17.	Kaiser Foundation Health Plan Inc.	Medical Buildings	14,979,113	0.22
18.	Fairfield Cambridge Glen LLC	Apartments	14,721,180	0.22
19.	Dong K. Lee	Auto Sales/Service	14,570,993	0.22
20.	5th and G Plaza Inc.	Office Building	14,029,770	0.21
			$422,542,812	6.25%

Source: California Municipal Statistics, Inc.
[1]2011-12 Local Secured Assessed Valuation: $6,763,070,801

COUNTY ECONOMIC PROFILE

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

General Information

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

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

Based on data compiled by DataQuick Information Systems, the median sale price of a single-family home in the County was $220,000 in June 2012, a decrease of approximately 3.7% from $228,500 in June 2011. The median sale price of a single-family home in the City of Davis was $426,000 in June 2012, a decrease of approximately 0.8% from $429,432 in June 2011.

Population

The following table displays estimated population data as of January 1st for the City of Davis and Yolo County.

Historical Population
City of Davis and Yolo County

	2010	2011	2012
City of Davis	65,547	65,915	65,052
Yolo County	200,484	201,759	202,133

Source: California Department of Finance

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Unemployment

The following table contains a summary of the City of Davis's unemployment data seasonally unadjusted.

Historical Unemployment
City of Davis

	Annual 2008	Annual 2009	Annual 2010	Annual 2011	January 2012[1]
Total Labor Force	39,100	38,700	38,100	38,100	38,600
# Employed	37,300	35,900	34,900	35,100	35,100
# Unemployed	1,800	2,800	3,200	3,000	3,500
Unemployment Rate	4.6%	7.2%	8.4%	8.0%	9.2%

[1]Preliminary.
Source: State Employment Development Department.

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

Historical Unemployment
Yolo County

	Annual 2008	Annual 2009	Annual 2010	Annual 2011	January 2012[1]
Total Labor Force	98,400	98,800	98,000	97,800	99,800
# Employed	91,200	87,600	85,300	85,700	85,700
# Unemployed	7,200	11,100	12,700	12,100	14,100
Unemployment Rate	7.3%	11.3%	13.0%	12.4%	14.1%

[1]Preliminary.
Source: State Employment Development Department.

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Major Employers

The following table provides a listing of 20 major employers in the County, listed by number of employees.

Major Employers
Yolo County

	Company	# of Employees
1	University of California Davis	11,704
2	State of California	2,214
3	U.S. Postal Service	1,794
4	Yolo County	1,245
5	Woodland Healthcare	994
6	Raley's Family of Fine Stores	831
7	Davis Joint Unified School District	792
8	Target Corp.	782
9	Pacific Gas and Electric Co.	623
10	Nugget Market Inc.	500
11	City of Davis	430
12	Coventry Health Care	400
13	City of West Sacramento	340
14	City of Woodland	281
15	Sutter Davis Hospital	270
16	Winters Joint Unified School District	220
17	NOR-CAL Beverage Co. Inc.	200
18	Clark Pacific Corp.	185
19	Vertis Inc.	175
20	Wells Fargo & Co.	99

Source: 2011 Sacramento Business Journal.

Taxable Sales

Total taxable sales reported during calendar year 2010 in the City of Davis were reported to be approximately $442,255,000, a 1.0% decrease from the total taxable sales of $446,745,000 reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (rounded to the nearest thousand) in the City of Davis are presented in the following table.

Taxable Retail Sales
City of Davis

	2006	2007	2008	2009	2010
Sales Tax Permits	1,137	1,118	1,144	1,086	1,095
Taxable Sales (000’s)	$518,192	$531,311	$493,862	$446,745	$442,255

Source: California State Board of Equalization

Total taxable sales reported during the calendar year 2010 in the County were reported to be approximately $2,943,500,000, a 2.7% increase from the total taxable sales of $2,865,382,000 reported during calendar year 2009. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions (rounded to the nearest thousand) in the County are presented in the following table.

Taxable Retail Sales
Yolo County

	2006	2007	2008	2009	2010
Sales Tax Permits	4,059	4,084	4,138	3,892	4,035
Taxable Sales (000's)	$3,189,863	$3,259,843	$3,347,287	$2,865,382	$2,943,500

Source: California State Board of Equalization

STATE FUNDING OF PUBLIC EDUCATION

Revenue for Public Education

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

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

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

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

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

The State Revenue Limit. The State Revenue Limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county board of education is entitled to receive from

State and local sources. Each school district has its own target amount of funding from State funds and local property taxes per average daily attendance. ADA is the average number of pupils attending school over the year. This target is known as revenue limit, and the funding from this calculation forms the bulk of all school districts' income. The State Legislature usually grants annual cost-of-living adjustments (COLAs) to revenue limits. The exact amount depends on whether the school district is an elementary, high school or a unified school district.

Apportionments for revenue limits are calculated three times a year for each school district, community college district and county board of education. The first calculation is performed for the February 20th First Principal Apportionment (based on Period 1 ADA determined in December), the second calculation for the June 25th Second Principal Apportionment (based on Period 2 ADA determined in April), and the final calculation for the end of the year Annual Apportionment (also based on Period 2 ADA). Calculations are reviewed by the county and submitted to the State Department of Education with respect to school districts and to the Chancellor of the California Community Colleges with respect to community college districts, which, respectively, reviews the calculations for accuracy, calculates the amount of state aid owed to such school district or community college district, as the case may be, and notifies the State Controller of the amount, who then distributes the state aid.

School districts that receive their revenue limit income entirely from property taxes are called "basic aid" school districts. These school districts are permitted to keep all their property tax money (even if it exceeds their revenue limit). As guaranteed in the State Constitution, the State must apportion $120 per pupil to all school districts. However, the categorical aid (see below) that basic aid school districts receive counts toward this requirement. The District is not a basic aid district.

Distribution of Revenue for School Districts

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

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

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

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

School Facilities. Growing enrollments and/or aging facilities require school districts to build or make major renovations to school buildings. The income from developer fees on residential or commercial property is insufficient to fund all facilities costs. Voter approved general obligation bond moneys may only be used for purchase or improvement of real property, while Mello-Roos taxes can be used for this as well as for ongoing maintenance or purchase of needed equipment. A majority of voters has regularly approved state bond measures for the construction or reconstruction of schools.

State IOUs and Deferrals

In recent years, fiscal stress and difficulties in achieving a balanced State budget have resulted in actions that include the State issuing IOUs (defined below) to its creditors, and the deferral of school funding.

On July 2, 2009, as a result of declines in State revenues commencing in fiscal year 2008-09, the State Controller began to issue registered warrants (or "IOUs") for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July, 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s.

Furthermore, commencing in fiscal year 2008-09, to better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State's revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009 through 2012-13. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. For fiscal year 2012-13, enacted K-12 inter-year deferrals total $7.4 billion; however, should a proposed tax initiative to be considered by voters at a November 2012 election fail, inter-year deferrals would increase to $9.5 billion.

Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State.

The 2011-12 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 30, 2011, the Governor signed into law the 2011-12 State budget (the "2011-12 State Budget"). The 2011-12 State Budget, including previously enacted legislation, closed a projected $26.6 billion budget gap through $15.0 billion in expenditure reductions, $0.9 billion in revenue increases and $2.9 billion in other solutions, which, combined with an increased State revenue forecast of $8.3 billion, resulted in a budgeted State general fund reserve of $543 million at the end of fiscal year 2011-12.

Funding for K-12 Education. The 2011-12 State Budget included total funding of $64.1 billion for all K-12 education programs ($34.7 billion from the State's general fund and $29.4 billion from other funds). The 2011-12 State Budget funded the Proposition 98 minimum funding requirement at $48.7 billion, of which $32.9 billion was budgeted from the State general fund.

The 2011-12 State Budget included a series of trigger reductions in the event the State's revenues were less than forecast. As part of the second series of such trigger reductions, had State revenues fallen short of projections by more than $2 billion in fiscal year 2011-12, up to $1.5 billion in reductions to school district revenue limit funding would have been implemented, with a corresponding reduction to the minimum school year length by seven days. In December 2012, the State announced, based on revised revenue estimates, trigger cuts for K-12 education totaling $79.6 million.

The 2012-13 State Budget

The information in this section has been compiled from publicly available information through the State Department of Finance and the State Legislative Analyst's Office. Neither the District nor the Underwriter assume any responsibility for the accuracy of such information as set forth or incorporated by reference herein, although they believe that the information provided by the above-listed sources is reliable.

Adopted Budget. On June 27, 2012, the Governor signed the fiscal year 2012-13 State budget (the "2012-13 Budget"). The 2012-13 Budget closes a $15.7 billion budget gap and builds a reserve of nearly $1 billion with (i) $8.1 billion in expenditure reductions, (ii) $6 billion in increased revenues (which assumes the approval by the voters of the Governor's tax initiative, "The Schools and Local Public Safety Protection Act", at a November 2012 election) and (iii) $2.5 billion from certain loan and transfer measures.

The Schools and Local Public Safety Protection Act proposes to temporarily increase the personal income tax on the State's wealthiest taxpayers for seven years and increase the sales tax by 0.25% for four years. The measure would generate an estimated $8.5 billion in revenues through fiscal year 2012-13.

The 2012-13 Budget contains the following spending reduction measures:

- Reformation of existing K-14 education mandates claim process by providing a block grant as an alternative. For non-school mandates, provides a multiyear suspension of most mandates to provide greater flexibility to local governments. ($720 million savings)
- Creation of framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services. Assets transferred to schools will offset State general fund costs. ($1.5 billion savings)
- Other adjustments including using a fiscal year 2011-12 over-appropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. ($1.9 million savings)

State general fund revenues (including transfers) are budgeted to be approximately $95.9 billion in fiscal year 2012-13, an increase of 10.4% from a revised fiscal year 2011-12 State general fund revenues and transfers of $86.8 billion. State general fund expenditures are budgeted to be $91.4 billion in fiscal year 2012-13, an increase of 5.0% from a revised $87.0 billion figure for fiscal year 2011-12.

The following table identifies historical and budgeted State general fund revenues and expenditures.

State General Fund under the Adopted 2012-13 Budget

	2011-12 Revised (Millions)	2012-13 Adopted (Millions)
Prior-year Fund Balance	($2,685)	($2,882)
Revenues and Transfers	86,830	95,887
Total Resources Available	84,145	93,005
Expenditures	87,027	91,338
Ending Fund Balances	($2,882)	$1,667
Encumbrances	719	719
Reserve	(3,601)	948

Source: The California Department of Finance

K-12 Education. The 2012-13 Budget includes Proposition 98 funding of $53.6 billion, of which $36.8 billion is from the State general fund. This funding level assumes passage of The Schools and Local Public Safety Protection Act, which increases Proposition 98 funding by $2.9 billion in fiscal year 2012-13.

Other significant K-12 funding adjustments include:

- *Redevelopment Agency Asset Liquidation* – An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 State general fund contribution by an identical amount.
- *Proposition 98 Adjustments* – A decrease of approximately $630 million due to (i) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax gasoline in 2010-11, and (ii) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling them with one-time Proposition 98 general fund, which achieves State general fund savings by an identical amount.
- *Quality Education Investment Act* – A decrease of $450 million State general fund for fiscal year 2012-13. The over-appropriation in fiscal year 2011-12 will be used to repay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement.
- *Deferrals* – An increase of $2.1 billion Proposition 98 State general fund to reduce K-12 inter-year deferrals to $7.4 billion.
- *Charter Schools* – An increase of $53.7 billion Proposition 98 State general fund for charter schools categorical programs to fund growth in enrollment. Additionally, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to utilize temporary revenue anticipation note borrowings.

- *Mandate Block Grant* – An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant.
- *Child Care Costs* – Savings of $294.3 million in non-Proposition 98 State general fund through various cost-reduction measures, including reduction of provider contracts across the board and suspension of statutory COLA.

If The Schools and Local Public Safety Protection Act is not approved by voters in November 2012, automatic trigger cuts of approximately $5.4 billion for K-14 schools would be implemented effective January 1, 2013. Such trigger cuts equate to a reduction in funding of approximately $457 per ADA. To accommodate this mid-year reduction, school districts are authorized (subject to collective bargaining) to reduce the school year to 160 days for fiscal years 2012-13 and 2013-14, 15 days shorter than the 175 instructional days currently required.

Litigation Challenging State Funding of Education

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the City and County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Treasurer, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District is not a party to the CSBA Petition. The District cannot predict whether any of the plaintiffs listed in the CSBA Petition will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the CSBA Petition would affect the financial status of the District or the State.

Future Budgets

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

For more information on the State Budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the Legislative Analyst's Office's website at www.lao.ca.gov.

CONSTITUTIONAL & STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES & EXPENDITURES

Limitations on Revenues

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

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

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

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

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

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the duty of the District and the County and Solano County with respect to such taxes. Legislation adopted in 1997 provides that Article 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.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are restricted as to use and are neither pledged nor available to pay the Bonds.

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

Expenditures and Appropriations

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

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

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

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Proposition 1A. On November 2, 2004, California voters approved Proposition 1A amending the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not reduce any local sales tax rates or alter the method of allocation, shift property taxes from local governments to schools or community colleges, make changes in how property taxes revenues are shared among local governments without two-thirds approval of both house of the State Legislature, and decrease vehicle license fees without providing local governments with equal replacement funding.

Under Proposition 1A, beginning in fiscal year 2008-09, the State may divert no more than eight percent of local property tax revenues for State purpose (including but not limited to funding K-12 education) only if: (i) the Governor declares such action to be necessary due to a State fiscal emergency, (ii) two-thirds approval of both houses of the State Legislature, (iii) the amount diverted is required to be repaid within three years, and (iv) certain other conditions are met.

Future Initiatives. Articles XIIIA, XIIIB, XIIIC, and XIIID, and Propositions 98, 111, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

LEGAL MATTERS

No Litigation

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

Legal Opinion

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

Tax Matters

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and court decisions, and other things, interest on the Notes is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes.

The Internal Revenue Code of 1986, as amended, (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to assure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in federal gross income, possibly from the date of issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Notes may affect the tax status of interest on the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is also of the opinion that interest on the Notes is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

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

The rights of the Owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's 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.

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

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

RATING

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

FINANCIAL ADVISOR

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

INDEPENDENT AUDITORS

The financial statements of the District as of June 30, 2011, and for the fiscal year then ending, have been audited by Crowe Horwath LLP, Sacramento, California, and are set forth in "APPENDIX A" attached hereto. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors to review this Official Statement, nor have they done so. Complete copies of all past and current financial statements may be obtained from the District. See "DISTRICT FINANCIAL INFORMATION" herein.

UNDERWRITING AND INITIAL OFFERING PRICE

The Notes were sold to Jefferies & Company, Inc. (the "Underwriter"), pursuant to a note purchase agreement by and among the District, the County, and the Underwriter, for a total purchase price of $10,647,276.00, an amount equal to the principal amount of the Notes, plus an original issue premium of $48,972.00, less an underwriter's discount of $1,696.00, at a true interest cost (TIC) to the District of 0.315283%.

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the owners of the Notes to give notice of the occurrence of certain enumerated events. See "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. Notices of such events will be filed by the District with the Municipal Securities Rulemaking Board. This covenant of the District has been made to assist the Underwriter of the Notes in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The District has complied with regard to said Rule to provide annual reports or notices of material events. A copy of the form of the Continuing Disclosure Certificate is attached hereto as "APPENDIX B."

ADDITIONAL INFORMATION

Additional information concerning the District, the Notes or any other matters concerning the sale and delivery of the Notes may be obtained from the District by contacting the District at the address and telephone number set forth on page "iii" of this Official Statement, or by contacting the District's financial advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100, facsimile telephone (916) 444-5109.

All of the preceding summaries of the Resolution, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to documents on file with the District for further information in connection with the District and the

Notes. Further, this Official Statement does not constitute a contract with the purchasers of either Note, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

By: /s/ Winfred B. Roberson
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2011

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DAVIS JOINT UNIFIED SCHOOL DISTRICT
Davis, California

FINANCIAL STATEMENTS
June 30, 2011

DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

TABLE OF CONTENTS

DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

TABLE OF CONTENTS
(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011

TABLE OF CONTENTS
(Continued)

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITORS' REPORT

Board of Education
Davis Joint Unified School District
Davis, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Davis Joint Unified School District, as of and for the year ended June 30, 2011, which collectively comprise Davis Joint 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Davis Joint Unified School District as of June 30, 2011, 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, 2011 on our consideration of Davis Joint 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis Joint 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 Davis Joint 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2011

Superintendent Ext. 142/Fax 757-5323
Board of Education Ext. 140/Fax 757-5323
Educational Services Ext. 144/Fax 757-5323
Business Services Ext. 122/Fax 757-5319
Curriculum & Instructional Services Ext. 150/Fax 757-5423
Personnel Services Ext. 106/Fax 757-5422
Student Services Ext. 116/Fax 757-5416

Davis Joint Unified School District Winfred Roberson • Superintendent
526 B Street • Davis, CA 95616 • 530-757-5300 • www.djusd.k12.ca.us

Management's Discussion and Analysis

Davis Joint Unified School District is located in Yolo County. The District currently operates 16 schools, consisting of 7 elementary schools (grades K-6), 1 elementary school (grades K-3), 3 junior high schools (grades 7-9), 1 comprehensive high school (grades 10-12), 1 Charter School (DaVinci grades 8-12), 1 continuation high school, 1 adult school and 1 independent study program. As of June 30th, 2011, the District employed on a regular basis 531 certificated employees and 917 classified employees.

Student enrollment for grades K-12 increased over 2009-2010. For the 2010-2011 school year, the District's October enrollment was 8,596. This was an increase of 89 students from the October enrollment in 2010.

Mission Statement and Goals

The Board of Trustees for Davis Joint Unified School District Mission Statement states:

Davis Joint Unified School District, in partnership with parents, will provide an excellent educational program that develops the knowledge, skills, abilities, and values needed for all students to reach their full potential.

Coupled with this mission statement are the following Goals:

- **ACADEMIC EXCELLENCE**
  The District will advance an appropriately challenging academic course of study that promotes the highest possible academic achievement for each student.

- **FISCAL SOLVENCY**
  The District will closely monitor its revenue, expenditures, and cash reserves and make adjustments to achieve a sustainable balanced budget.

- **STAFF DEVELOPMENT**
  The District will provide a comprehensive staff development program for the purpose of continual improvement of staff effectiveness leading to high academic success for all students.

- **EQUITY**
  Staff and students will respect and understand the importance of diverse cultures by consciously creating inclusive and equitable learning environments and systems that value and engage all students and their families.

- **TECHNOLOGY**
  Technology will be designed to improve student academic achievement and to support the work of the District.

- **DISTRICT RESPONSIVENESS**
  The District will provide a culture and processes that are open, proactive, equitable and responsive to student needs and interests, as well as the contributions and concerns of families and the community.

- **SAFE ENVIRONMENT**
  The District will provide a safe and secure environment on every campus where standards for behavior will be clearly defined, communicated, and maintained.

- **FACILITIES**
  The District will provide appropriate teaching/learning environments that support student achievement.

- **CAREER TECHNICAL EDUCATION**
  The District will provide opportunities for students to develop contemporary technical skills necessary to succeed in the world of work.

This Mission Statement and District Goals are the basis and guiding principles for the District.

FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Financial Reports

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Codification Section 2100.101.* This standard significantly changed the way school districts report their finances to the public. The focus of financial reporting is on the overall status of the local educational agency's (LEA) financial health instead of on the individual funds.

Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial position is improving or declining.

Financial Condition of the General Fund

The General fund ending balance for Davis Joint Unified School District increased in 2010-2011 due to one-time state revenue sources and reduction of expenditures. The District is deficit spending due to State budget reductions and this will drop over the next two to three years. The following tables summarize fund balance changes and operational fund financial statements:

Summary of Financial Operations		
	June 30, 2010	June 30, 2011
Revenues	$ 66,992,632	$ 67,701,183
Expenditures	$ 68,269.043	$ 66,845.177
Difference	**$ (1,276,411)**	**$ 856,006**

Change in Fund Balance	
Fund Balance June 30, 2010	$ 10,830,685
Fund Balance June 30, 2011	$ 11,686,691
Change	**$ 856,006**

Statement of Net Assets

The *Statement of Net Assets* for the 2010-2011 year shows the District's net assets as $34,549,227. This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as bond repayment obligations. The District decreased in net assets due to the net depreciation of assets, the accounting cost adjustment for the PARS early retirement benefit offset by the repayment of bond principal from the debt refunding. The table below summarizes the change in net assets from 2009-2010 to 2010-2011.

Statement of Net Assets		
	June 30, 2010	June 30, 2011
Assets	$ 155,221,547	$ 144,764,891
Liabilities	$ 120,172,969	$ 110,215,664
Ending Net Assets	**$ 35,048,578**	**$ 34,549,227**

Capital Assets

The net Capital Assets as of June 30th, 2011 are $94,277,371. This represents a decrease of $1,486,663 over the prior year. This decrease is from accumulated depreciation.

Long-Term Debt

The Long-Term Debt as of June 30th, 2011 is $100,474,063. This represents a decrease of $10,463,150 over the prior year. This decrease is primarily from scheduled general obligation bond payments.

Statement of Activities

The *Statement of Net Activities* for the 2010-2011 audit shows the District's change in net assets as $(499,351) for Governmental Activities. The changes in net activities are the result of the continued deficit spending and reported increases for post-employment benefits from the actuarial accounting treatment of these benefits.

Statement of Net Activities		
	June 30, 2010	**June 30, 2011**
Program Revenues	$15,009,931	$12,595,306
General Revenues	66,267,752	69,909,624
Expenses	82,148,055	83,004,281
Restatement		
Change in Net Assets	$ (870,372)	$ (499,351)

General Fund Revenues

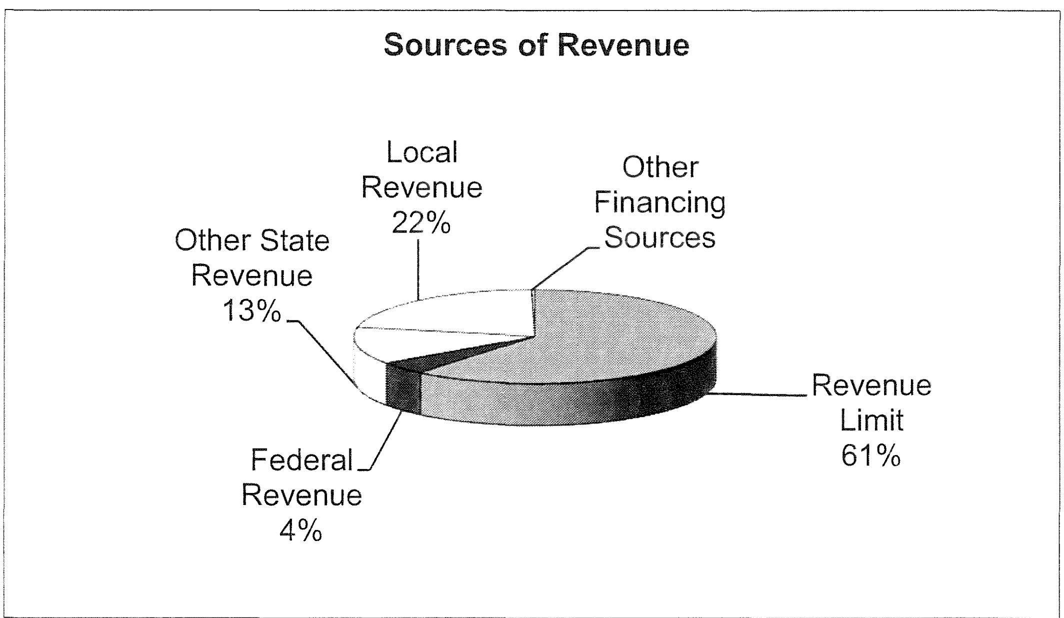
Most of the District's General Fund revenue is generated from the District's revenue limit, which yields funds based on a state-determined dollar amount times the average number of students who are in attendance (ADA) throughout the school year. Public education--unlike any other public agency--receives most of its revenue based on the population it serves.

The third largest source of revenue is State categorical income that must be spent for selected State-determined programs. The two largest categorical programs, sometimes called "restricted programs," are funding for a portion of Special Education services and the K-3 Class-Size Reduction efforts.

Federal income is a small portion of the entire district income. Again, most of the Federal income is restricted since it must be expended for purposes that are determined by the grantor and not the local Board of Education.

The District's total resources for expenditure in the budget year include a "beginning balance," which reflects a carryover of unexpended balances from the prior year.

Sources Available	
Revenue Limit	$ 41,172,959
Federal Revenue	3,069,060
Other State Revenue	8,627,218
Local Revenue	14,622,686
Other Financing Sources	209,260
Total Revenue	**$67,701,183**
Beginning Fund Balance	10,830,685
Total General Fund Sources	**$ 78,531,868**

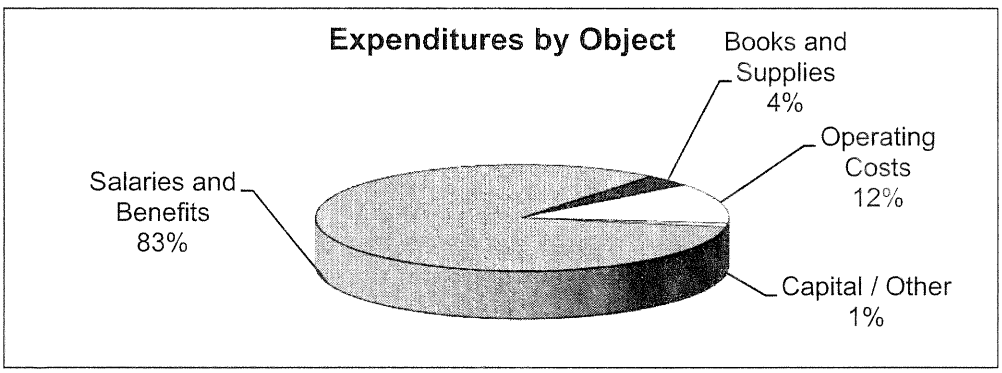


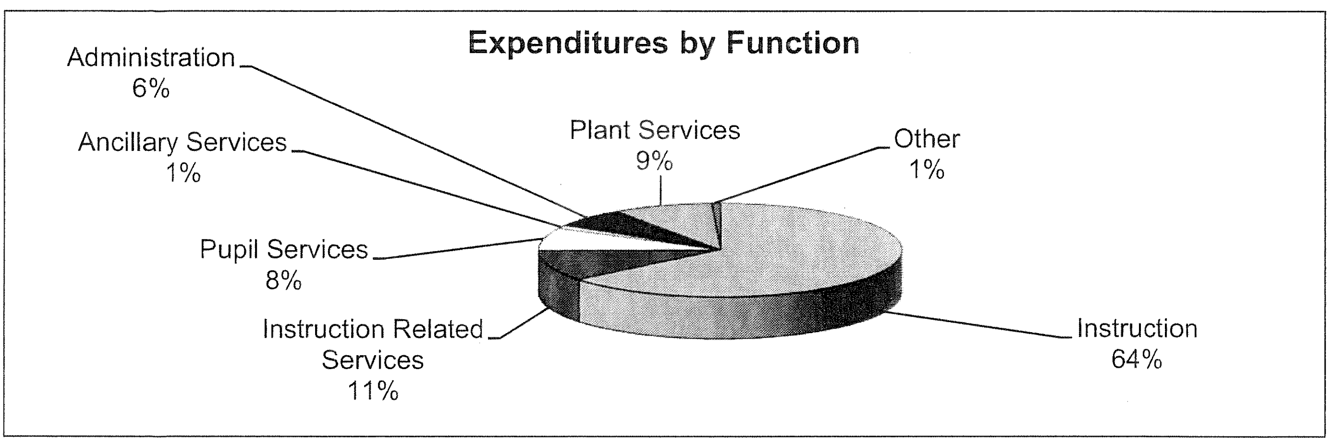
General Fund Expenditures

Employee salary and benefit costs consume 83% of the District's general fund expenditures. Over 64% of the District's expenditures go directly to the classroom for instructional salary and benefit costs.

A significant portion of California school district income is restricted income and, as such, can only be expended for selected purposes as determined by the granting agency. The balance of the District's income is unrestricted since it can be expended as determined by the local agency for general educational purposes.

General Fund Expenditures	
Salaries and Benefits	$ 55,421,297
Books and Supplies	2,501,112
Operating Costs	8,180,098
Capital/Other	742,670
Total Expenditures	**$ 66,845,177**





General Fund Budget Versus Actuals

General Fund Budget vs. Actual			
	Actuals	Budget	Variance
Revenues	$ 67,701,183	$ 67,488,253	$ 212,930
Expenditures	$ 66,845,177	$ 68,943,616	$ 2,098,439
Difference	**$ 856,006**	**$ (1,455,363)**	**$ 2,311,369**

The District's Net Increase in General Fund Balance was favorable to the Budget by $2,311,369. The expenditures were favorable due to final cost of Special Education Mental health versus the county estimate, unexpended categorical program dollars, which will carryover to next fiscal year and purposeful under spending. The revenues were mostly favorable due to an accrual accounting adjustment in other state revenues from Tier III Categorical programs.

Factors Bearing on the District's Future

The 2013-13 is projected to be a challenging year. Fiscal challenges continue for the near future. These include local, State and Federal funding;

Local:
- Pending March 2012 Renewal of Measures Q & W: $6.5m of local funding
- On-going structural spending deficit: $1m
- Sunset of local Measure A funding 2013 ($3.2m impact in 2013-14)

Federal:
- Coverage of programs that are funded by federal support: $1.5m Federal Jobs funds
- Changes in Federal funding

State:
- 2011-12 "Trigger reductions", $200/student, a projected $1.7m mid-year reduction
- Projected 2012-13 State budget shortfall of $13 billion, K-12 impact unknown
- Continued cash deferrals for current and future year funding

The State of California is forecasting a $13 billion budget shortfall next year that will need to be addressed before the enactment of the final 2012-13 State Budget. The District Budget is dependent upon State funding, over 70% of the Districts funds being determined by the State.

The District must address these funding challenges to stay fiscally viable. They can be addressed by approving and maintaining local revenue sources and/or expenditure reductions which could include program and staff reductions, employee concessions and central/site operating budget reductions.

The 2013-13 is projected to be a fiscally challenging year.

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, contact, Bruce Colby, Associate Superintendent of Business Services, or Sandi Fowles, Director of Fiscal Services (530) 757-5300 x 122, or business@djusd.net.

BASIC FINANCIAL STATEMENTS

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 37,598,529
Receivables	12,758,898
Prepaid expenses	60,861
Stores inventory	69,232
Non-depreciable capital assets (Note 4)	10,164,667
Depreciable capital assets, net of accumulated depreciation (Note 4)	84,112,704
Total assets	144,764,891
LIABILITIES	
Accounts payable	8,287,057
Deferred revenue	1,454,544
Long-term liabilities (Note 5):	
Due within one year	4,963,245
Due after one year	95,510,818
Total liabilities	110,215,664
NET ASSETS	
Invested in capital assets, net of related debt	(659,220)
Restricted (Note 6)	31,527,157
Unrestricted	3,681,290
Total net assets	$ 34,549,227

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities (Note 4):					
Instruction	$ 51,302,770	$ 260,647	$ 8,156,679	$ 373,014	$ (42,512,430)
Instruction-related services:					
Supervision of instruction	2,053,944	1,891	561,045		(1,491,008)
Instructional library, media and technology	1,516,509	5,852	28,819		(1,481,838)
School site administration	4,294,765	13,012	180,113		(4,101,640)
Pupil services:					
Home-to-school transportation	599,265	8,046	191,751		(399,468)
Food services	1,616,983	771,230	689,837		(155,916)
All other pupil services	4,981,510	12,026	872,592		(4,096,892)
General administration:					
Data processing	1,001,580		105,882		(895,698)
All other general administration	3,840,827	1,305	162,118		(3,677,404)
Plant services	6,714,342	14,013	129,890		(6,570,439)
Ancillary services	432,839	9,736	43,621		(379,482)
Community services	158,338	391	1,796		(156,151)
Enterprise activities	1,323				(1,323)
Interest on long-term liabilities	3,978,264				(3,978,264)
Other outgo	511,022				(511,022)
Total governmental activities	$ 83,004,281	$ 1,098,149	$ 11,124,143	$ 373,014	(70,408,975)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	20,855,186
Taxes levied for debt service	8,501,126
Taxes levied for other specific purposes	6,850,960
Federal and state aid not restricted to specific purposes	30,507,539
Interest and investment earnings	818,099
Miscellaneous	2,376,714
Total general revenues	69,909,624
Change in net assets	(499,351)
Net assets, July 1, 2010	35,048,578
Net assets, June 30, 2011	$ 34,549,227

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	$ 7,147,072	$ 19,032,361	$ 7,351,139	$ 33,530,572
Cash awaiting deposit			1,380	1,380
Cash on hand and in banks			5,618	5,618
Cash in revolving fund	47,000		1,000	48,000
Cash in LAIF	12,529	2,670,613		2,683,142
Cash with Fiscal Agent			110,269	110,269
Receivables	11,855,830	50,504	848,544	12,754,878
Due from other funds	745,169		117,342	862,511
Prepaid expenditures	21,642			21,642
Stores inventory			69,232	69,232
Total assets	$ 19,829,242	$ 21,753,478	$ 8,504,524	$ 50,087,244
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 6,570,665		$ 364,669	$ 6,935,334
Due to other funds	117,342		745,169	862,511
Deferred revenue	1,454,544			1,454,544
Total liabilities	8,142,551		1,109,838	9,252,389
Fund balances:				
Nonspendable	68,642		70,232	138,874
Restricted	1,047,564	$ 21,753,478	7,324,454	30,125,496
Assigned	8,571,407			8,571,407
Unassigned	1,999,078			1,999,078
Total fund balances	11,686,691	21,753,478	7,394,686	40,834,855
Total liabilities and fund balances	$ 19,829,242	$ 21,753,478	$ 8,504,524	$ 50,087,244

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

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

June 30, 2011

Total fund balances - Governmental Funds		$ 40,834,855
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 $150,281,098 and the accumulated depreciation is $56,003,727 (Note 4).		94,277,371
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, 2011 consisted of (Note 5):		
Special Tax Bonds	$ (57,090,000)	
General Obligation Bonds	(19,885,000)	
Certificates of Participation	(14,256,271)	
Accreted interest	(2,254,219)	
Capitalized lease obligations	(1,301,101)	
Other loans	(150,000)	
Other postemployment benefits (Note 8)	(3,455,469)	
PARS Early Retirement Incentive	(1,767,844)	
Compensated absences	(314,159)	(100,474,063)
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid.		(1,351,723)
Costs associated with the issuance of long-term liabilities are not financial resources and, therefore, are not reported as assets in governmental funds.		39,219
Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:		1,223,568
Total net assets - governmental activities		$ 34,549,227

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2011

	General Fund	Debt Service Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Revenue limit sources:				
State sources	$ 21,305,193		$ 2,458,997	$ 23,764,190
Local sources	19,867,766			19,867,766
Total revenue limit	41,172,959		2,458,997	43,631,956
Federal sources	3,069,060		696,829	3,765,889
Other state sources	8,627,218		1,344,135	9,971,353
Other local sources	14,622,686	$ 7,232,610	3,541,996	25,397,292
Total revenues	67,491,923	7,232,610	8,041,957	82,766,490
Expenditures:				
Certificated salaries	32,882,163		1,680,708	34,562,871
Classified salaries	11,695,013		1,156,757	12,851,770
Employee benefits	10,844,121		668,432	11,512,553
Books and supplies	2,501,112		908,318	3,409,430
Contract services and operating expenditures	8,180,098		1,063,651	9,243,749
Capital outlay	43,167		2,594,119	2,637,286
Other outgo	511,022			511,022
Debt service:				
Principal retirement		2,985,000	10,835,257	13,820,257
Interest		2,595,363	1,298,415	3,893,778
Total expenditures	66,656,696	5,580,363	20,205,657	92,442,716
Excess (deficiency) of revenues over (under) expenditures	835,227	1,652,247	(12,163,700)	(9,676,226)
Other financing sources (uses):				
Operating transfers in	209,260		2,599,502	2,808,762
Operating transfers out	(188,481)	(438,007)	(2,182,274)	(2,808,762)
Total other financing sources (uses)	20,779	(438,007)	417,228	
Net change in fund balances	856,006	1,214,240	(11,746,472)	(9,676,226)
Fund balances, July 1, 2010	10,830,685	20,539,238	19,141,158	50,511,081
Fund balances, June 30, 2011	$ 11,686,691	$ 21,753,478	$ 7,394,686	$ 40,834,855

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

DAVIS JOINT 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, 2011

Net change in fund balances - Total Governmental Funds	$ (9,676,226)
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).	2,905,872
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(4,392,535)
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).	13,820,257
In the statement of activities, expenses related to other postemployment healthcare benefits, PARS early retirement incentive and compensated absences 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).	(2,810,675)
Accreted interest is an expense that is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net assets (Note 5).	(546,432)
Interest on long-term liabilities is recognized in the period it is incurred. In governmental funds, it is only recognized when it is due.	100,769
Amortization of debt issuance costs is an expense that is not recorded in the governmental funds.	(2,615)
Internal service funds are used to conduct certain activities for which the costs are charged to other funds on a full-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, internal service activities are reported as governmental in the statement of activities.	102,234
Change in net assets of governmental activities	$ (499,351)

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND

SELF-INSURANCE FUND

June 30, 2011

ASSETS	
Cash and investments (Note 2):	
Cash in County Treasury	$ 1,062,120
Cash with Fiscal Agent	157,428
Receivables	4,020
Total assets	1,223,568
NET ASSETS	
Restricted	$ 1,223,568

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

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

SELF-INSURANCE FUND

For the Year Ended June 30, 2011

Operating revenues:	
In-District premiums	$ 1,163,346
Operating expenses:	
Books and supplies	2,401
Contract services and operating expenses	1,065,468
Total operating expenses	1,067,869
Operating income	95,477
Non-operating income:	
Interest income	6,757
Increase in net assets	102,234
Net assets, July 1, 2010	1,121,334
Net assets, June 30, 2011	$ 1,223,568

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

SELF-INSURANCE FUND

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Cash received from premiums	$ 1,162,820
Cash paid for supplies and operating expenses	(1,067,869)
Net cash provided by operating activities	94,951
Cash flows provided by investing activities:	
Interest income	6,757
Increase in cash and investments	101,708
Cash and investments, July 1, 2010	1,117,840
Cash and investments, June 30, 2011	$ 1,219,548
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 95,477
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in receivables	(526)
Net cash provided by operating activities	$ 94,951

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

TRUST AND AGENCY FUNDS

June 30, 2011

ASSETS	
Cash and investments (Note 2):	
Cash in County Treasury	$ 83,523
Cash on hand and in banks	354,165
Receivables	192
Total assets	437,880
LIABILITIES	
Accounts payable	750
Due to student groups	354,165
Total liabilities	354,915
NET ASSETS	
Restricted (Note 6)	$ 82,965

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FIDUCIARY NET ASSETS

TRUST FUND

For the Year Ended June 30, 2011

Revenues:		
Local sources	$	32,279
Expenses:		
Contract services and operating expenditures		16,711
Increase in net assets		15,568
Net assets, July 1, 2010		67,397
Net assets, June 30, 2011	$	82,965

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Davis Joint 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. 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 District and Davis Schools Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100, for inclusion of the Corporation as a blended component unit of the District. Accordingly, the financial activity of the Corporation has been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy GASB Codification Section 2100 criteria:

A - Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the District's Board of Education.
2. The Corporation has no employees. The District's Superintendent functions as an agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation.

B - Accountability for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
2. Any deficits incurred by the Corporation will be reflected in the lease payment of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

C - Scope of Public Service

1. The Corporation was created for the sole purpose of financially assisting the District.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's 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 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 Governmental Accounting Standards Codification Section (GASB Cod. Sec.) N50.118-.121.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, 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, County School Facilities Special Reserve and Capital Projects for Blended Component Units Funds.

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 Debt Service and Bond Interest and Redemption Funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Proprietary Funds

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's dental benefits to employees.

C - Fiduciary Fund Types

1 - Trust Fund:

The Trust Fund is used to account for assets held by the District as Trustee. The District maintains one trust fund, the Foundation Trust Fund.

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 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.

Accrual

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District's Governing Board complied with these requirements.

Stores Inventory

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 $741,243. 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.

Capital Assets

Capital assets purchased or acquired, with an original cost of $5,000 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 3 - 30 years depending on asset types.

Asset Class	Estimated Useful Life in Years
Land	N/A
Land improvements	20
Buildings	15-30
Equipment, vehicles, equipment	3-20

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences

Compensated absences benefits in the amount of $314,159 are recorded as a liability of the District. The liability is for the earned but unused benefits.

All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 a 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

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 Yolo bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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 fund, prepaid expenses and stores inventory reflect the portion of net assets represented by revolving fund cash, prepaid expenses and stores inventory, 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 restrictions for special projects, debt service, capital projects and self-insurance represent the net assets of restricted funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2011, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2011, no such designation has occurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2011, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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 at June 30, 2011 consisted of the following:

	Governmental Activities			
	Governmental Funds	Proprietary Fund	Total	Fiduciary Activities
Pooled funds:				
Cash in County Treasury	$ 33,530,572	$ 1,062,120	$ 34,592,692	$ 83,523
Cash awaiting deposit	1,380		1,380	
Local Agency Investment Fund	2,683,142		2,683,142	
Total pooled funds	36,215,094	1,062,120	37,277,214	83,523
Deposits:				
Cash in revolving fund	48,000		48,000	
Cash on hand and in banks	5,618		5,618	354,165
Total deposits	53,618		53,618	354,165
Cash with Fiscal Agent	110,269	157,428	267,697	
Total cash and investments	$ 36,378,981	$ 1,219,548	$ 37,598,529	$ 437,688

Pooled Funds - Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Yolo 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 Yolo County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2011, the Yolo County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

2. CASH AND INVESTMENTS (Continued)

Pooled Funds - Local Agency Investment Fund

The District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. This fund currently yields approximately 0.56% interest annually. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to $250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the District's accounts was $407,783 and the bank balance was $416,906. $367,856 of the bank balance was FDIC insured and $49,050 remained uninsured.

Cash with Fiscal Agent

Cash with Fiscal Agent totaling $110,269 in the Capital Projects for Blended Component Units is the proceeds from long-term liabilities held by a trustee. Cash with Fiscal Agent totaling $157,428 in the Self-Insurance Fund is the amount held by a trustee for the payment of self insurance claims. The amounts held by trustees is fully collateralized.

2. CASH AND INVESTMENTS (Continued)

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, 2011, 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, 2011, the District had no concentration of credit risk.

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 as of June 30, 2011 were as follows:

	Interfund Receivables	Interfund Payables
Major Fund:		
General	$ 745,169	$ 117,342
Non-Major Funds:		
Charter School	77,790	690,729
Adult Education	829	25,872
Child Development	30,784	25,628
Cafeteria	3,046	368
Deferred Maintenance	3,869	
Capital Projects for Blended Component Units	1,024	2,572
Totals	$ 862,511	$ 862,511

3. INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2010-2011 fiscal year were as follows:

Transfer from the Child Development Fund to the General Fund to allocate indirect costs.	$ 25,275
Transfer from the Capital Facilities Fund to the Capital Projects for Blended Component Units for the Davis High School Stadium.	1,600,000
Transfer from the County School Facilities to the Capital Projects for Blended Component Units for the King Facility.	373,014
Transfer from the Charter School Fund to the General Fund to allocate indirect costs.	158,726
Transfer from the General Fund to the Child Development Fund to allocate indirect costs.	30,281
Transfer from the Debt Service Fund to the Capital Projects for Blended Component Units for facility costs.	438,007
Transfer from the General Fund to the Cafeteria Fund for parcel tax and deficit spending.	158,200
Transfer from the Adult Education Fund to the General Fund to allocate indirect costs.	25,259
	$ 2,808,762

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Transfers and Additions	Transfers and Deductions	Balance June 30, 2011
Non-depreciable:				
Land	$ 10,113,667			$ 10,113,667
Work-in-process	4,364,310	$ 51,000	$ 4,364,310	51,000
Depreciable:				
Improvement of sites	3,800,294			3,800,294
Buildings	123,909,054	7,174,068		131,083,122
Equipment	5,230,584	45,114	42,683	5,233,015
Totals, at cost	147,417,909	7,270,182	4,406,993	150,281,098
Less accumulated depreciation:				
Improvement of sites	(2,862,507)	(62,143)		(2,924,650)
Buildings	(45,054,093)	(3,979,691)		(49,033,784)
Equipment	(3,737,275)	(350,701)	(42,683)	(4,045,293)
Total accumulated depreciation	(51,653,875)	(4,392,535)	(42,683)	(56,003,727)
Capital assets, net	$ 95,764,034	$ 2,877,647	$ 4,364,310	$ 94,277,371

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 4,120,199
Instructional library, media and technology	8,784
School site administration	4,393
Food services	17,571
All other general administration	127,383
Centralized data processing	13,177
Plant services	101,028
Total depreciation expense	$ 4,392,535

5. LONG-TERM LIABILITIES

Special Tax Bonds

On October 1, 1997, the District issued a Special Tax Bond totaling $3,745,000. This serial bond has interest rates ranging from 3.80% to 5.30% and maturing on August 14, 2024.

5. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

The annual requirements to amortize the Series 1997, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 130,000	$ 127,913	$ 257,913
2013	125,000	121,538	246,538
2014	130,000	115,098	245,098
2015	150,000	107,883	257,883
2016	160,000	99,783	259,783
2017-2021	910,000	362,214	1,272,214
2022-2025	895,000	97,385	992,385
	$ 2,500,000	$ 1,031,814	$ 3,531,814

On March 1, 1998, the District issued a Special Tax Bond, Series 1998 Refunding Bonds totaling $7,290,000. This serial bond has interest rates ranging from 5.00% to 7.00% maturing on August 15, 2022.

The annual requirements to amortize the Series 1998, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 355,000	$ 232,048	$ 587,048
2013	375,000	215,711	590,711
2014	390,000	198,304	588,304
2015	415,000	179,581	594,581
2016	430,000	159,616	589,616
2017-2021	2,465,000	458,252	2,923,252
2022-2023	565,000	28,375	593,375
	$ 4,995,000	$ 1,471,887	$ 6,466,887

On June 27, 2001, the District issued a Community Facilities District No. 1, Special Tax Bond, Series 2001 totaling $4,943,630. This serial bond has interest rates ranging from 5.125% to 6.750% maturing on August 15, 2031.

5. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

The annual requirements to amortize the Series 2001, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 115,000	$ 200,078	$ 315,078
2013	120,000	195,170	315,170
2014	125,000	189,870	314,870
2015	130,000	184,130	314,130
2016	140,000	177,850	317,850
2017-2021	800,000	778,630	1,578,630
2022-2026	1,025,000	551,875	1,576,875
2027-2031	1,330,000	233,422	1,563,422
2032	310,000	7,943	317,943
	$ 4,095,000	$ 2,518,968	$ 6,613,968

On June 27, 2001, the District issued a Community Facilities District No. 2, Special Tax Bond, Series 2001 totaling $14,500,000. This serial bond has interest rates ranging from 3.00% to 5.20% maturing on August 15, 2028.

The annual requirements to amortize the Series 2001, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 410,000	$ 559,903	$ 969,903
2013	430,000	542,201	972,201
2014	450,000	522,831	972,831
2015	470,000	501,838	971,838
2016	495,000	479,213	974,213
2017-2021	2,850,000	1,998,178	4,848,178
2022-2026	4,030,000	116,344	4,146,344
2027-2029	2,325,000	166,990	2,491,990
	$ 11,460,000	$ 4,887,498	$ 16,347,498

On November 4, 2004, the District issued a Community Facilities District No. 2, Special Tax Bond, Series 2004 totaling $11,000,000. This serial bond has interest rates ranging from 3.00% to 4.50% maturing on August 15, 2029.

5. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

The annual requirements to amortize the Series 2004, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 335,000	$ 374,200	$ 709,200
2013	350,000	362,213	712,213
2014	360,000	349,788	709,788
2015	375,000	336,925	711,925
2016	385,000	323,433	708,433
2017-2021	2,165,000	1,378,413	3,543,413
2022-2026	2,645,000	879,754	3,524,754
2027-2030	2,570,000	237,600	2,807,600
	$ 9,185,000	$ 4,242,326	$ 13,427,326

On January 25, 2006, the District issued a Special Tax Bond, Refunding Series 2006 totaling $7,370,000. This serial bond has interest rates ranging from 3.30% to 4.25% maturing on August 15, 2025.

The annual requirements to amortize the Series 2006, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 365,000	$ 244,813	$ 609,813
2013	380,000	232,520	612,520
2014	395,000	219,535	614,535
2015	405,000	205,733	610,733
2016	425,000	191,208	616,208
2017-2021	2,475,000	695,550	3,170,550
2022-2026	2,135,000	172,376	2,307,376
	$ 6,580,000	$ 1,961,735	$ 8,541,735

On May 8, 2007, the District issued a Community Facilities District No. 1, Special Tax Bond, Refunding Series 2007 totaling $22,185,000. This serial bond has interest rates ranging from 3.50% to 4.375% maturing on August 15, 2027.

5. LONG-TERM LIABILITIES (Continued)

Special Tax Bonds (Continued)

The annual requirements to amortize the Series 2007, Special Tax Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 1,275,000	$ 664,888	$ 1,939,888
2013	1,330,000	619,300	1,949,300
2014	1,370,000	572,050	1,942,050
2015	1,425,000	522,247	1,947,247
2016	1,475,000	248,209	1,723,209
2017-2021	8,295,000	1,423,725	9,718,725
2022-2026	2,615,000	500,856	3,115,856
2027-2028	490,000	62,869	552,869
	$ 18,275,000	$ 4,614,144	$ 22,889,144

General Obligation Bonds

On August 9, 2000, the District issued a General Obligation Bond Series 2000 totaling $13,000,000.

In April 2010, the District issued General Obligation Refunding Bonds for the purpose of refunding the General Obligation Bond Series 2000. The funds to complete the refunding process were recorded by the District as of June 30, 2010 and the refunding of the existing bonds will be completed by August 2010. The refunding bonds have interest rates ranging from 3.5% to 5%, maturing on August 1, 2025. The annual requirements to amortize the Series 2010 General Obligation Refunding Bonds outstanding as of June 30, 2011 are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 470,000	$ 376,950	$ 846,950
2013	490,000	357,750	847,750
2014	510,000	337,750	847,750
2015	530,000	316,950	846,950
2016	550,000	292,600	842,600
2017-2021	3,155,000	1,097,025	4,252,025
2022-2026	3,895,000	402,500	4,297,500
	$ 9,600,000	$ 3,181,525	$ 12,781,525

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

On July 11, 2002, the District issued a General Obligation Bond Series 2002 totaling $13,000,000. This serial bond has interest rates ranging from 3.625% to 6.000% maturing on August 15, 2027.

The annual requirements to amortize the Series 2002 General Obligation Bond outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 415,000	$ 476,415	$ 891,415
2013	430,000	455,290	885,290
2014	450,000	434,415	884,415
2015	470,000	413,715	883,715
2016	490,000	392,850	882,850
2017-2021	2,800,000	1,608,001	4,408,001
2022-2026	3,550,000	819,579	4,369,579
2027-2028	1,680,000	124,460	1,804,460
	$ 10,285,000	$ 4,724,725	$ 15,009,725

Certificates of Participation

The District issued Certificates of Participation (COPs) totaling $9,996,960 on August 25, 2005. The COPs carry a variable interest rate ranging from 3.00% to 4.00%, and matures on August 1, 2018 as follows.

Year Ended June 30,	Principal	Interest	Total
2012	$ 175,000	$ 55,427	$ 230,427
2013	185,000	49,686	234,686
2014	190,000	43,474	233,474
2015	195,000	36,855	231,855
2016	205,000	29,753	234,753
2017-2019	8,371,960	5,333,071	13,705,031
	$ 9,321,960	$ 5,548,266	$ 14,870,226

5. LONG-TERM LIABILITIES (Continued)

Certificates of Participation (Continued)

The District issued Certificates of Participation (COPs) totaling $4,994,311 on May 1, 2009. The COPs have an interest rate of 4.17%, and mature on August 1, 2019 as follows.

Year Ended June 30,	Principal	Interest	Total
2012	$ 80,000	$ 97,161	$ 177,161
2013	80,000	93,825	173,825
2014	90,000	90,281	180,281
2015	70,000	86,945	156,945
2016	70,000	84,026	154,026
2017-2020	4,544,311	1,836,882	6,381,193
	$ 4,934,311	$ 2,289,120	$ 7,223,431

Capitalized Lease Obligations

The District leases equipment under two capital lease agreements which provide for title to pass to the District upon expiration of the lease agreements. Equipment under capital lease has an original cost of $2,115,621 and, at June 30, 2011 accumulated depreciation related to the leased equipment totaled $911,248.

The annual requirement to amortize the capitalized lease obligations at June 30, 2011 are as follows:

Portables:

Year Ended June 30,	Lease Payments
2012	$ 257,856
2013	248,858
2014	248,858
2015	248,858
2016	497,716
	1,502,146
Less amount representing interest	(201,045)
Present value of net minimum lease payments	$ 1,301,101

5. LONG-TERM LIABILITIES (Continued)

Other Loans

The District, on behalf of the Da Vinci Charter Academy, executed a loan agreement effective August 26, 2009 with the California Department of Education in the amount of $200,000. The loan will allow the Charter to purchase student computers and provide classrooms with LCD projectors. The loan is being repaid in four annual installments.

Year Ended June 30,	Loan Payments
2012	$ 50,990
2013	50,636
2014	50,282
	151,908
Less amount representing interest	(1,908)
Present value of net minimum loan payments	$ 150,000

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
Special Tax Bonds	$ 59,905,000		$ 2,815,000	$ 57,090,000	$ 2,985,000
General Obligation Bonds	30,395,000		10,510,000	19,885,000	885,000
Certificates of Participation	14,486,271		230,000	14,256,271	255,000
Accreted interest	1,707,787	$ 546,432		2,254,219	
Capitalized lease obligations	1,516,358		215,257	1,301,101	198,963
Other loans	200,000		50,000	150,000	50,000
Other postemployment benefits (Note 8)	2,461,294	1,288,808	294,633	3,455,469	
PARS early retirement incentive		2,357,126	589,282	1,767,844	589,282
Compensated absences	265,503	86,253	37,597	314,159	
Totals	$ 110,937,213	$ 4,278,619	$ 14,741,769	$ 100,474,063	$ 4,963,245

Payments on the Special Tax Bonds are made from the Debt Service Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the capitalized lease obligations are made from the Charter School, Cafeteria and Capital Projects for Blended Component Units Funds. Payments on the compensated absences and post-retirement healthcare benefits are made from the fund for which the related employee worked.

6. NET ASSETS / FUND BALANCES

Restricted net assets consisted of the following at June 30, 2011:

	Governmental Activities
Restricted for revolving cash fund	$ 48,000
Restricted for prepaid expenses	60,861
Restricted for inventory	69,232
Restricted for unspent categorical program revenues	1,047,564
Restricted for special projects	1,551,798
Restricted for debt service	23,739,780
Restricted for capital projects	3,786,354
Restricted for self-insurance	1,223,568
	$ 31,527,157

	Expendable Trust Fund
Foundation	$ 82,965

Fund balances, by category, at June 30, 2011 consisted of the following:

	General Fund	Debt Service Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	$ 47,000		$ 1,000	$ 48,000
Prepaid expenses	21,642			21,642
Stores inventory			69,232	69,232
Subtotal nonspendable	68,642		70,232	138,874
Restricted:				
Unspent categorical revenues	1,047,564		705,825	1,753,389
Capital projects			3,786,354	3,786,354
Food service operations			3,380	3,380
Deferred maintenance			842,593	842,593
Debt service		$ 21,753,478	1,986,302	23,739,780
Subtotal restricted	1,047,564	21,753,478	7,324,454	30,125,496
Assigned:				
Board assignments	8,571,407			8,571,407
Unassigned:				
Designated for economic uncertainty	1,999,078			1,999,078
Total fund balances	$ 11,686,691	$ 21,753,478	$ 7,394,686	$ 40,834,855

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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-2011 was 10.707% 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, 2009, 2010 and 2011 were $1,108,435, $1,150,395 and $1,245,641, 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, 100 Waterfront Place, West Sacramento, California 95605.

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 2010-2011 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, 2009, 2010 and 2011 were $3,015,513, $2,992,840 and $2,802,395, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the benefits described in Note 7, the District provides postemployment health care benefits to age 65 for certain groups of employees who retire from the District after attaining age 55 with at least 15 years of service. These postemployment health care benefit provisions are established per contractual agreement with employee groups. The District pays up to $125 per month for health benefits of these retirees to the age of 65.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 1,274,761
Interest on net OPEB obligation	123,065
Adjustment to annual required contribution	(109,018)
Annual OPEB cost (expense)	1,288,808
Contributions made	(294,633)
Increase in net OPEB obligation	994,175
Net OPEB obligation - beginning of year	2,461,294
Net OPEB obligation - end of year	$ 3,455,469

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 1,304,998	24.7%	$ 1,294,317
June 30, 2010	$ 1,339,477	12.6%	$ 2,461,294
June 30, 2011	$ 1,288,808	22.9%	$ 3,455,469

As of May 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $12.27 million, resulting in an unfunded actuarial accrued liability (UAAL) of $12.27 million. The covered payroll (annual payroll of active employees covered by the Plan) was $46.5 million, and the ratio of the UAAL to the covered payroll was 26 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 28 years.

9. JOINT POWERS AGREEMENTS

Davis Joint Unified School District participates in one joint venture under joint powers agreement (JPA) with North Bay Schools Insurance Authority (NBSIA). The relationship between Davis Joint Unified School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

NBSIA arranges for and provides property, liability, and workers' compensation insurance coverage for its members. The JPA's governing board consist of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district is obligated to pay an amount commensurate with the level of coverage requested and may be subject to assessments.

Condensed financial information for the year ended June 30, 2010 (the most recent information available), is as follows:

	NBSIA
Total assets	$ 41,789,704
Total liabilities	$ 20,421,588
Net assets	$ 21,368,116
Total revenues	$ 20,170,333
Total expenditures	$ 17,014,042
Change in net assets	$ 3,156,291

10. 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.

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

11. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 1, 2011, the District issued $9,000,000 of Tax and Revenue Anticipation Notes (TRANs). The TRANs mature on May 1, 2012, and yield 2.00 percent interest. The TRANs were sold to supplement cash flow and are repaid from taxes, income, revenue, cash receipts, and other moneys received by or accruing to the General Fund of the District during the fiscal year.

11. SUBSEQUENT EVENTS (Continued)

General Obligation Bonds

On August 4, 2011, the District issued $9,475,000 of General Obligation Refunding Bonds to refund the outstanding 2002 General Obligation Bonds. The 2011 General Obligation Bonds have interest rates ranging from 2.00% to 5.00% and mature on August 1, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended June 30, 2011

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Revenue limit sources:				
State apportionment	$ 19,299,477	$ 21,062,594	$ 21,305,193	$ 242,599
Local sources	19,555,495	20,085,925	19,867,766	(218,159)
Total revenue limit	38,854,972	41,148,519	41,172,959	24,440
Federal sources	3,006,669	3,189,495	3,069,060	(120,435)
Other state sources	7,653,447	8,478,423	8,627,218	148,795
Other local sources	13,105,758	14,502,238	14,622,686	120,448
Total revenues	62,620,846	67,318,675	67,491,923	173,248
Expenditures:				
Certificated salaries	33,434,927	32,836,277	32,882,163	(45,886)
Classified salaries	11,131,965	11,711,861	11,695,013	16,848
Employee benefits	10,980,680	10,885,171	10,844,121	41,050
Books and supplies	2,719,358	2,946,443	2,501,112	445,331
Contract services and operating expenditures	6,931,095	7,894,939	8,180,098	(285,159)
Capital outlay	71,808	77,831	43,167	34,664
Other outgo	461,477	2,259,524	511,022	1,748,502
Total expenditures	65,731,310	68,612,046	66,656,696	1,955,350
(Deficiency) excess of revenues (under) over expenditures	(3,110,464)	(1,293,371)	835,227	2,128,598
Other financing sources (uses):				
Operating transfers in	182,630	169,578	209,260	39,682
Operating transfers out	(344,605)	(331,570)	(188,481)	143,089
Total other financing sources (uses)	(161,975)	(161,992)	20,779	182,771
Net change in fund balance	(3,272,439)	(1,455,363)	856,006	2,311,369
Fund balance, July 1, 2010	10,830,685	10,830,685	10,830,685	
Fund balance, June 30, 2011	$ 7,558,246	$ 9,375,322	$ 11,686,691	$ 2,311,369

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2011

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	September 17, 2007	$ -	$ 12,480,000	$ 12,480,000	0%	$ 47,700,000	26%
6/30/2010	May 1, 2009	$ -	$ 12,270,000	$ 12,270,000	0%	$ 47,700,000	26%
6/30/2011	May 1, 2009	$ -	$ 12,270,000	$ 12,270,000	0%	$ 46,500,000	26%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Excess of expenditures over appropriations for the year ended June 30, 2011 were as follows:

Fund	Excess Expenditures
General Fund:	
Certificated salaries	$ 45,886
Contract services and operating expenditures	$ 285,159

These excesses are not in accordance with Education Code 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

DAVIS JOINT UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2011

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Capital Projects for Blended Component Units Fund	Bond Interest and Redemption Fund	Total
ASSETS											
Cash and investments:											
Cash in County Treasury	$ 530,278	$ 209,521	$ 39,208	$ (135,445)	$ 838,724	$ 856,263	$ 101	$ 201	$ 3,026,238	$ 1,986,050	$ 7,351,139
Cash awaiting deposit				1,380							1,380
Cash on hand and in banks				5,618							5,618
Cash in revolving fund		500	500								1,000
Cash with Fiscal Agent									110,269		110,269
Receivables	644,842		403	190,779		2,289	367	1	9,611	252	848,544
Due from other funds	77,790	829	30,784	3,046	3,869				1,024		117,342
Stores inventory				69,232							69,232
Total assets	$ 1,252,910	$ 210,850	$ 70,895	$ 134,610	$ 842,593	$ 858,552	$ 468	$ 202	$ 3,147,142	$ 1,986,302	$ 8,504,524
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	$ 30,040	$ 11,294	$ 44,267	$ 61,630		$ 81,000			$ 136,438		$ 364,669
Due to other funds	690,729	25,872	25,628	368					2,572		745,169
Total liabilities	720,769	37,166	69,895	61,998		81,000			139,010		1,109,838
Fund balances:											
Nonspendable			500	69,232							69,732
Restricted	532,141	173,684	500	3,380	$ 842,593	777,552	$ 468	$ 202	3,008,132	$ 1,986,302	7,324,954
Total fund balances	532,141	173,684	1,000	72,612	842,593	777,552	468	202	3,008,132	1,986,302	7,394,686
Total liabilities and fund balances	$ 1,252,910	$ 210,850	$ 70,895	$ 134,610	$ 842,593	$ 858,552	$ 468	$ 202	$ 3,147,142	$ 1,986,302	$ 8,504,524

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2011

	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund	Capital Projects for Blended Component Units Fund	Bond Interest and Redemption Fund	Total
Revenues:											
State revenue limit sources	$ 2,458,997										$ 2,458,997
Total revenue limit	2,458,997										2,458,997
Federal sources	62,500			$ 634,329							696,829
Other state sources	297,149	$ 187,488	$ 358,786	64,326			$ 373,014		$ 45,500	$ 17,872	1,344,135
Other local sources	74,269	287,017	405	781,238	$ 4,422	$ 491,589	367	$ 1	90,653	1,812,035	3,541,996
Total revenues	2,892,915	474,505	359,191	1,479,893	4,422	491,589	373,381	1	136,153	1,829,907	8,041,957
Expenditures:											
Certificated salaries	1,281,022	228,417	171,269								1,680,708
Classified salaries	167,227	38,151	114,565	665,554					171,260		1,156,757
Employee benefits	325,434	52,513	70,663	165,777					54,045		668,432
Books and supplies	126,849	7,432	4,988	741,243					27,806		908,318
Contract services and operating expenditures	613,764	37,886	2,712	45,002		1,075			363,212		1,063,651
Capital outlay				13,386		83,106			2,497,627		2,594,119
Debt service:											
Principal retirement	78,484								246,773	10,510,000	10,835,257
Interest	2,966								162,165	1,133,284	1,298,415
Total expenditures	2,595,746	364,399	364,197	1,630,962		84,181			3,522,888	11,643,284	20,205,657
Excess (deficiency) of revenues over (under) expenditures	297,169	110,106	(5,006)	(151,069)	4,422	407,408	373,381	1	(3,386,735)	(9,813,377)	(12,163,700)
Other financing sources (uses):											
Operating transfers in			30,281	158,200					2,411,021		2,599,502
Operating transfers out	(158,726)	(25,259)	(25,275)			(1,600,000)	(373,014)				(2,182,274)
Total other financing sources (uses)	(158,726)	(25,259)	5,006	158,200		(1,600,000)	(373,014)		2,411,021		417,228
Net change in fund balances	138,443	84,847		7,131	4,422	(1,192,592)	367	1	(975,714)	(9,813,377)	(11,746,472)
Fund balances, July 1, 2010	393,698	88,837	1,000	65,481	838,171	1,970,144	101	201	3,983,846	11,799,679	19,141,158
Fund balances, June 30, 2011	$ 532,141	$ 173,684	$ 1,000	$ 72,612	$ 842,593	$ 777,552	$ 468	$ 202	$ 3,008,132	$ 1,986,302	$ 7,394,686

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Student Body				
Davis High School				
Assets:				
Cash on hand and in banks	$ 346,749	$ 802,884	$ 890,210	$ 259,423
Liabilities:				
Due to student groups	$ 346,749	$ 802,884	$ 890,210	$ 259,423
DaVinci High School				
Assets:				
Cash on hand and in banks	$ 19,468	$ 46,652	$ 42,914	$ 23,206
Liabilities:				
Due to student groups	$ 19,468	$ 46,652	$ 42,914	$ 23,206
Emerson Middle School				
Assets:				
Cash on hand and in banks	$ 46,400	$ 62,282	$ 80,474	$ 28,208
Liabilities:				
Due to student groups	$ 46,400	$ 62,282	$ 80,474	$ 28,208
Harper Middle School				
Assets:				
Cash on hand and in banks	$ 33,795	$ 73,041	$ 78,279	$ 28,557
Liabilities:				
Due to student groups	$ 33,795	$ 73,041	$ 78,279	$ 28,557
Holmes Middle School				
Assets:				
Cash on hand and in banks	$ 19,300	$ 83,302	$ 87,831	$ 14,771
Liabilities:				
Due to student groups	$ 19,300	$ 83,302	$ 87,831	$ 14,771

(Continued)

DAVIS JOINT UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)
For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Student Body (Continued)				
Total Student Body Funds				
Assets:				
Cash on hand and in banks	$ 465,712	$ 1,068,161	$ 1,179,708	$ 354,165
Liabilities:				
Due to student groups	$ 465,712	$ 1,068,161	$ 1,179,708	$ 354,165

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

DAVIS JOINT UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2011

Davis Joint Unified School District was established on July 1, 1962 and comprises an area located in Solano and Yolo Counties. There were no changes in the boundaries of the District during the current year. Davis Joint Unified School District covers an area of approximately 15 square miles. The District currently operates eight elementary, three intermediate, one high schools, and one charter school. The District also maintains a continuation high school, an adult education school and an independent study program.

GOVERNING BOARD

Name	Office	Term Expires
Richard Harris	President	December 2012
Susan Lovenburg	Vice President/ Clerk	December 2012
Sheila Allen	Member	December 2014
Gina Daleiden	Member	December 2014
Tim Taylor	Member	December 2014

ADMINISTRATION

Winfred Roberson, Jr.
Superintendent

Bruce Colby
Associate Superintendent, Business Services

Matthew Best
Assistant Superintendent, Human Resources and Secondary Education

Clark Bryant
Associate Superintendent, Instructional Services and Elementary Education

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For the Year Ended June 30, 2011

	Second Period Report	Annual Report
Elementary:		
Kindergarten	529	531
First through Third	1,697	1,702
Fourth through Eighth	3,068	3,071
Special Education	111	118
Extended Year ADA	9	9
	5,414	5,431
Secondary:		
Regular Classes	2,253	2,247
Continuation Education	51	49
Special Education	61	60
Extended Year ADA	8	7
	2,373	2,363
Classroom-based Charter		
Elementary:		
Grades 7 - 8	49	49
Secondary:		
Grades 9 - 12	357	354
	8,193	8,197

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2011

Grade Level	Statutory 1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	Statutory 1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,000	32,220	31,325	35,000	175	N/A	In Compliance
Grade 1	50,400	49,000	45,287	44,029	49,050	175	N/A	In Compliance
Grade 2	50,400	49,000	45,287	44,029	49,050	175	N/A	In Compliance
Grade 3	50,400	49,000	45,287	44,029	49,050	175	N/A	In Compliance
Grade 4	54,000	52,500	51,731	50,294	52,692	175	N/A	In Compliance
Grade 5	54,000	52,500	51,731	50,294	52,692	175	N/A	In Compliance
Grade 6	54,000	52,500	51,731	50,294	52,692	175	N/A	In Compliance
Grade 7	54,000	52,500	51,731	50,294	64,850	175	N/A	In Compliance
Grade 8	54,000	52,500	51,731	50,294	64,850	175	N/A	In Compliance
Grade 9	64,800	63,000	52,447	50,990	64,850	175	N/A	In Compliance
Grade 10	64,800	63,000	52,447	50,990	65,611	175	N/A	In Compliance
Grade 11	64,800	63,000	52,447	50,990	65,611	175	N/A	In Compliance
Grade 12	64,800	63,000	52,447	50,990	65,611	175	N/A	In Compliance
Classroom-based Charter School								
Grade 8	54,000	52,500	N/A	N/A	66,941	175	N/A	In Compliance
Grade 9	64,800	63,000	N/A	N/A	66,941	175	N/A	In Compliance
Grade 10	64,800	63,000	N/A	N/A	64,565	175	N/A	In Compliance
Grade 11	64,800	63,000	N/A	N/A	64,565	175	N/A	In Compliance
Grade 12	64,800	63,000	N/A	N/A	64,565	175	N/A	In Compliance

See accompanying notes to
supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Education: Basic Local Assistance - Part B	13379	$ 1,372,806
84.027A	Special Education: Preschool Local Entitlement - Part B - Section 611	13682	86,676
84.173	Special Education: Preschool Grants - Part B - Section 619	13430	33,531
84.173A	Special Education: Preschool Grants - Staff Development	13431	717
84.391	Special Education: ARRA IDEA Part B, Sec 611, Basic Local Assistance	15003	7,493
84.391	Special Education: ARRA IDEA Part B, Sec 611, Preschool Local Entitlement	15002	10
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs	10115	6,322
	Subtotal Special Education Cluster		1,507,555
84.010	NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	14329	694,431
84.186	NCLB: Title IV, Part A, Safe & Drug-Free Schools and Communities	14347	12,001
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Competitive Grants	14334	2,242
84.386	NCLB: ARRA Title II, Part D, Enhancing Education Through Technology (EETT) Formula Grants	15019	11,910
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	194,521
84.365	NCLB: Title III Limited English Proficiency (LEP) Student Program	14346	100,270
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	33,151
84.282	NCLB: Title V, Part B, Public Charter School Grant	14959	62,500
84.293	Foreign Language Assistance	-	129,430
84.394	ARRA: State Fiscal Stabilization Fund	25008	382,474
84.unknown	Advanced Placement and International Baccalaureate	-	1,075
	Total U.S. Department of Education		3,131,560
U.S. Department of Agriculture - Passed through California Department of Education:			
10.555	Child Nutrition: National School Lunch Program	13524	634,329
	Total Federal Programs		$ 3,765,889

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

There were no adjustments made to any funds of the District.

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2011

	(Budgeted) 2012*	2011	2010	2009
General Fund				
Revenues and other financing sources	$ 67,635,495	$ 67,701,183	$ 66,992,632	$ 72,747,036
Expenditures	69,653,329	66,656,696	67,937,868	71,299,907
Other uses and transfers out	269,151	188,481	331,175	134,382
Total outgo	69,922,480	66,845,177	68,269,043	71,434,289
Changes in fund balance	$ (2,286,985)	$ 856,006	$ (1,276,411)	$ 1,312,747
Ending fund balance	$ 9,399,706	$ 11,686,691	$ 10,830,685	$ 12,107,096
Available reserves	$ 2,092,469	$ 1,999,078	$ 2,041,870	$ 2,138,993
Designated for economic uncertainties	$ 2,092,469	$ 1,999,078	$ 2,041,870	$ 2,138,993
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	3.0%	3.0%	3.0%	3.0%
All Funds				
Total long-term liabilities	$ 95,510,818	$100,474,063	$110,937,213	$103,559,882
Average daily attendance at P-2, excluding Charter	7,719	7,787	7,748	8,218

The General Fund fund balance has decreased by $892,342 over the past three years. The fiscal year 2011-2012 budget projects a decrease of $2,286,985. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating surpluses two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2011-2012.

Total long-term liabilities have decreased by $3,085,819 over the past two years.

Average daily attendance has decreased by 431 over the past two years. The District anticipates an decrease of 68 ADA for fiscal year 2011-2012.

* Financial activity relating to the Da Vinci Junior High and High School Academy is reflected in a separate fund for 2011/2012.

See accompanying notes to supplementary information.

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2011

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
DaVinci Junior High and High School Academy	Included in the District's Financial Statements

See accompanying notes to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2011-2012 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2011, the District did not adopt such a program.

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Davis Joint Unified School District
Davis, California

We have audited the compliance of Davis Joint Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2011. Compliance with the requirements of state laws and regulations is the responsibility of Davis Joint Unified School District's management. Our responsibility is to express an opinion on Davis Joint Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Davis Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Davis Joint Unified School District's compliance with those requirements.

Description	Audit Guide Procedures	Procedures Performed
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	No, see below
After school	4	No, see below
Before school	5	No, see below

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
(Continued)

Description	Audit Guide Procedures	Procedures Performed
Contemporaneous Records of Attendance, for charter schools	1	Yes
Mode of Instruction, for charter schools	1	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	Yes

We did not perform any procedures related to Instructional Time for County Office of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer these programs in the current year.

The 2010-2011 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2011. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2010-2011 Audit Guide relating to the comparison of tested data from the 2010-2011 fiscal year to the 2010-2011 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

We did not perform any procedures related to After School Education and Safety Program because the District does not offer this program.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Nonclassroom-Based Instruction for Charter Schools because the District does not offer these programs.

In our opinion, Davis Joint Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2011. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Davis Joint Unified School District had not complied with the state laws and regulations.

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS
(Continued)

This report is intended solely for the information of the Board of Education, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2011

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

Board of Education
Davis Joint Unified School District
Davis, California

We have audited the financial statements of Davis Joint Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Davis Joint Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Davis Joint Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis Joint Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Davis Joint Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain matters that we have communicated to management that are included in the Schedule of Audit Findings and Questioned Costs as Findings 2011-01 and 2011-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis Joint Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

(Continued)

Davis Joint Unified School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

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

Crowe Horwath

Crowe Horwath LLP

Sacramento, California
December 12, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Davis Joint Unified School District
Davis, California

Compliance

We have audited Davis Joint Unified School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Davis Joint Unified School District's major federal programs for the year ended June 30, 2011. Davis Joint Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Davis Joint Unified School District's management. Our responsibility is to express an opinion on Davis Joint Unified School District's compliance based on our audit.

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

In our opinion, Davis Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Davis Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Davis Joint Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis Joint Unified School District's internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 12, 2011

FINDINGS AND RECOMMENDATIONS

DAVIS JOINT UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173, 84.027A, 84.173A, 84.391	Special Education Cluster (including ARRA)
84.394	ARRA: State Fiscal Stabilization
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	______ Yes	X No

STATE AWARDS

Internal control over state programs:		
Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	______ Yes	X None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-01 DEFICIENCY - ASB SCHOLARSHIP ACCOUNT (30000)

Criteria

Internal Controls - Safeguarding of Assets

Condition

The District Office does not maintain adequate control and records regarding the Doc Wood Memorial Fund Scholarship account. The scholarship account maintained at Davis High School is not reconciled by site personnel. Additionally, the authorized signor on the account is no longer an employee of the District.

Effect

Lack of internal controls could result in misappropriation of funds

Cause

Adequate internal control procedures have not been implemented nor enforced.

Fiscal Impact

Not applicable.

Recommendation

The District should implement procedures requiring monthly reconciliations on bank accounts be performed and reviewed at Davis High School. Additionally, the District should revise the authorized signers of the bank account to current District management.

Corrective Action Plan

The District has contacted the holder of the account to remit the funds to the District. The District has sent a letter to the institution holding the account to remit control to the District.

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY (30000)

Criteria

Internal Controls – Safeguarding of Assets

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY (30000) (Continued)

Condition

At Pioneer Elementary School:

- Sub-receipt books are not consistently issued and no record of issued books is maintained.
- No receipts are issued with the collection of the initial money.
- No documentation of dual cash count performed upon collection on money.
- Deposit slip did not reconcile to the cash collected by the teacher.

At Martin Luther King Continuation High School:

- Sub-receipt books are not consistently issued and no record of issued books is maintained.
- No documentation of dual cash count performed
- No documentation of preparation/review of the Checks Received Deposit form
- No receipts are issued with the collection of the initial money.
- Deposits are not made timely.

At Patwin Elementary School:

- Sub-receipt books are not consistently issued and no record of issued books is maintained.
- No documentation of dual cash count performed
- No documentation of review of the Checks Received Deposit form
- No receipts are issued with the collection of the initial money
- Excel document recording funds received by the Secretary do not agree with the money collected from the teacher.
- Deposits are not made timely.

At DaVinci High Charter School:

- Sub-receipt books are not consistently issued and no record of issued books is maintained.
- Dual cash counts of deposits are not documented.
- Revenue producing activities do not contain proper approval/documentation.
- Monthly statements of fund balances are not distributed.
- Records of minutes from the clubs are not maintained on site.

At Harper Jr. High School:

- Sub-receipt books are not consistently issued and no record of issued books is maintained.
- Dual cash counts of deposits are not documented.
- Receipts are not issued with the initial collection of cash.
- Student Body Board minutes documenting approval of expenditures are not maintained.
- Revenue producing activities do not contain proper approval/documentation.
- Monthly activity reports do not contain evidence of review.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY (30000) (Continued)

Condition (Continued)

At Davis Senior High School:

- Sub-receipt books are not consistently used during the initial collection of cash during fundraising events.
- Receipts are not issued with the initial collection of cash.
- Evidence of the approval of revenue producing activities was not always available. Athletic clubs currently do not fill out authorization forms for their fundraisers/events.
- Athletic coaches requesting reimbursements for expenditures are not pre-approved by an administrative and student council in the Purchase Order process.
- There is no documentation of the clubs and/or principal reviewing the club financials on a monthly basis.
- There was no evidence of a dual cash count performed with monies turned in.
- There was no record or log of how many sales, or receipts there were for the day planners sold.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal controls over student body accounts have not been maintained.

Fiscal Impact

Not applicable.

Recommendation

- Sub-receipt books should be issued to each club and records of issuance should be maintained.
- Dual cash counts of deposits should be documented and receipts should be issued.
- Receipts should be issued for all transactions.
- Checks received form should be reviewed by someone independent of the preparation
- Receipts should be issued for the individual submitting the deposit to the Secretary.
- Accurate records should be maintained for all cash collected.
- Deposits should be made timely.
- Revenue producing activities should have a formal approval process.
- All expenditures should be approved prior to reimbursement.
- Receipts should be issued for the individual submitting the deposit to the ASB Bookkeeper.

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

2011-02 DEFICIENCY - ASSOCIATED STUDENT BODY (30000) (Continued)

Recommendation (Continued)

- Student Council minutes should be kept for all clubs which should include approvals for all purchases/expenditures.
- Monthly activity reports do not contain evidence of review.

Corrective Action Plan

The District concurs with the findings and will work with the principals, secretaries and bookkeepers to address the internal control processes and procedures.

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2011

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2011

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2010-01 The District Office does not maintain adequate control and records regarding the Doc Wood Memorial Fund Scholarship account. The scholarship account maintained at Davis High School is not reconciled by site personnel. Additionally, the authorized signor on the account is no longer an employee of the District. The District should implement procedures requiring monthly reconciliations on bank accounts be performed and reviewed at Davis High School. Additionally, the District should revise the authorized signers of the bank account to current District management.	Not implemented.	See current year finding 2011-01.
2010-02 Emerson Jr. High: • Receipts are not issued to the individual submitting deposits to the ASB bookkeeper. • Board minutes are not kept every instance showing approval of expenditures. • Fundraiser Authorization forms is not completed for revenue producing activities. Davis Senior High School: • Receipts are not issued for cash deposits received by the office. • Evidence as to the approval of expenditures in the Study Body minutes could not be obtained. • Athletic coaches were requesting reimbursements for expenditures that were not pre-approved by an administrative and student council in the Purchase Order process. • The Student Club monthly financial activity was not reviewed by the principal.	Partially implemented.	See current year finding 2011-02.

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2010-02 (Continued) We recommend: • Receipts should be issued for all transactions. • Receipts should be issued for the individual submitting the deposit to the ASB Bookkeeper. • Board minutes should be kept for all clubs which should include approvals for all purchases/expenditures.		
2010-03 At DaVinci High Charter School, two students were improperly counted as present for a total of two days. The site attendance clerk should verify that students are properly marked absent in the attendance system once the absence is verified.	Implemented.	

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$10,600,000
DAVIS JOINT UNIFIED SCHOOL DISTRICT
YOLO COUNTY, CALIFORNIA
2012-2013 TAX AND REVENUE ANTICIPATION NOTES

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Davis Joint Unified School District (the "District") in connection with the issuance of $10,600,000 aggregate principal amount of its Davis Joint Unified School District, Yolo County, California, 2012-2013 Tax and Revenue Anticipation Notes (the "Notes") issued pursuant to a resolution authorizing the issuance of the Notes adopted by the Board of Supervisors of Yolo County on May 15, 2012 (the "Resolution"), and in connection therewith the District covenants and agrees as follows:

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

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

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

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Repository" shall mean MSRB 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.

"Significant Event" means any of the events listed in subsection (a) of Section 3 (Reporting of Significant Events) of this Disclosure Certificate.

"Underwriter" shall mean Jefferies & Company, Inc., and any other original underwriters of the Notes, if any, required to comply with the Rule in connection with offering of the Notes.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, the District shall give notice of the occurrence of any of the following events with respect to the Notes:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB);

(7) unless described in Section 3(a)(6) above, adverse tax opinions, material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;

(8) modifications to rights of security holders, if material;

(9) optional, contingent or unscheduled bond calls, if material;

(10) tender offers;

(11) defeasances;

(12) release, substitution, or sale of property securing repayment of the securities, if material;

(13) rating changes;

(14) bankruptcy, insolvency, receivership or similar event of the obligated person;

(15) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(16) appointment of a successor or additional trustee or paying agent, or the change of name of a trustee or paying agent, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, and, if the Significant Event is described in subsections (a)(2), (a)(7), (a)(8), (a)(9), (a)(12), (a)(15) or (a)(16) above, and the District determines that knowledge of the occurrence of a Significant Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District), to file a notice of such occurrence with the Repository, in an electronic format as prescribed by the Repository, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event.

SECTION 4. Filings with the Repository. All documents provided to the Repository under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the Repository and shall be accompanied by identifying information as prescribed by the Repository.

SECTION 5. Termination of Reporting Obligation. The District's obligations under the Disclosure Certificate shall terminate upon the defeasance, prior redemption, or payment in full of all of the Notes.

SECTION 6. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Significant Event, in addition to that which is required by the Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Significant Event in addition to that which is specifically required by the Disclosure Certificate, the District shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Significant Event.

SECTION 7. Nonliability of County. Notwithstanding anything to the contrary contained in the Resolution, in the Notes or in any other document mentioned herein, neither the County nor the Board shall have any liability in connection with the transactions contemplated thereby and the Notes shall be payable solely from the moneys of the District available therefore as set forth in the Resolution. The District has agreed to indemnify and hold harmless, to the extent permitted by law, the County and its officers and employees (the "Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject, because of action or inaction related to the Notes. The District has also agreed to reimburse the Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of the Disclosure Certificate, the Underwriter or any Holder of Notes 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 the Disclosure Certificate; provided, that the sole remedy under the Disclosure Certificate in the event of any failure of the District to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 9. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the District, the Underwriter, the Beneficial Owners and the Holders, and shall create no rights in any other person or entity.

SECTION 10. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 11. State of California Law Governs. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

Dated: September 6, 2012 **DAVIS JOINT UNIFIED SCHOOL DISTRICT**

By: ____

Bruce E. Colby,
Associate Superintendent, Business Services

APPENDIX C

FORM OF FINAL BOND COUNSEL OPINION

APPENDIX C

<u>FORM OF FINAL BOND COUNSEL OPINION</u>

September 6, 2012

Governing Board
Davis Joint Unified School District
526 B Street
Davis, California 95616

Re: *$10,600,000*
Davis Joint Unified School District
Yolo County, California
<u>2012-2013 Tax and Revenue Anticipation Notes</u>
Final Bond Counsel Opinion

Dear Board Members:

We have acted as bond counsel to the Davis Joint Unified School District (the "District") in connection with the issuance by the Board of Supervisors of Yolo County (the "Board of Supervisors") of $10,600,000 principal amount of the Davis Joint Unified School District, Yolo County, California, 2012-2013 Tax and Revenue Anticipation Notes, dated September 6, 2012 (the "Notes"), pursuant to Article 7.6 (commencing with Section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, pursuant to the provisions of Resolution No. 51-12 adopted by the District on April 19, 2012 (the "District Resolution"), and Resolution No. 12-50 adopted by the Board of Supervisors of the County on May 15, 2012 (the "County Resolution") (the County Resolution and the District Resolution being referred to collectively as the "Note Resolution"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the representations of the District contained in the District Resolution, the representations of the Board of Supervisors contained in the County Resolution, the representations of Yolo County and District officials, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The District is duly created and validly existing as a school district with the power to request the Board of Supervisors to issue the Notes on its behalf, and the power to perform its obligations under the District Resolution.

2. The County Resolution has been duly adopted by the Board of Supervisors and the District Resolution has been duly adopted by the District. The Note Resolution creates a valid first lien on the funds pledged under the Note Resolution for the security of the Notes.

3. The Notes have been duly authorized, executed and delivered by the Board of Supervisors and are valid and binding general obligations of the District enforceable in accordance with their terms.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

5. Interest on the Notes is exempt from State of California personal income taxes.

The rights of the holders of the Notes and the enforceability of the Notes, the District Resolution, and the County Resolution are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

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APPENDIX D

COUNTY OF YOLO 2012 INVESTMENT POLICY

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COUNTY OF YOLO

INVESTMENT POLICY
2012

Proposed by:

Auditor-Controller Treasurer-Tax Collector

Reviewed by:

County Treasury Oversight Committee
November 2, 2011

Approved by:

Board of Supervisors
December 6, 2011

I. Introduction

This document is known as the annual investment policy and represents the policies of the board of supervisors of the County of Yolo related to the investment of funds under the control of the county treasury.

This policy is prepared annually by the county treasurer in accordance with the California Government Code and prudent asset management principles. Pursuant to Government Code sections 27133 and 53646 this policy has been reviewed by the County Treasury Oversight Committee and approved by the Board of Supervisors at a public meeting.

II. Scope

This policy applies to the cash management and investment activities performed by County personnel and officials for any local agency, public agency, public entity or public official that has funds on deposit in the county treasury. The terms "County" and "county treasury pool" are used interchangeably and include all such funds so invested. The investment of bond proceeds will be governed by the provisions of relevant bond documents.

III. Standard of Care

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. Public Trust

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction that might impair public confidence in the County's ability to govern effectively.

V. Objectives

The primary objectives, in descending priority order, of the investment activities of the County shall be:

<u>Safety</u>. Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.

Liquidity. The investment portfolio shall be maintained in such a manner as to provide sufficient liquidity to meet the operating requirements of any of the participants.

Return on Investment. The investment portfolio of the County shall be designed with the objective of attaining a market rate of return on its investments consistent with the constraints imposed by its safety objective and cash flow considerations.

VI. Delegation of Authority

Subject to Section 53607 the authority of the Board of Supervisors to invest or to reinvest funds of the pooled investments, or to sell or exchange securities so purchased, may be delegated for a one-year period by ordinance in accordance with Government Code Sections 27000.1 and 27000.3.

Since 1999 the Board of Supervisors has designated the Auditor-Controller and Treasurer-Tax Collector as its agent authorized to make investment decisions in consultation with the Finance and Investment Committee of the Board after considering the strategy proposed by the investment advisor.

VII. Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Individuals performing the investment function and members of the County Treasury Oversight Committee (CTOC) shall maintain the highest standards of conduct. These individuals should follow the Code of Ethics for Procurement approved by the Board of Supervisors and comply with all relevant provisions of the Political Reform Act, especially the requirements of Chapter 7 – Conflict of Interest and Chapter 9.5 – Ethics. The key requirements are listed below:

a. Officers, employees and members of the CTOC involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could affect their ability to make impartial decisions.

b. Officers, employees and members of the CTOC shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the County.

c. Officers, employees and members of the CTOC shall not accept gifts or gratuities with a value exceeding $420 in any one year from any bank, broker, dealer, or any other person, firm, or organization who conducts business with the County Treasurer.

d. No members of the Board of Supervisors or any person with investment decision-making authority in the County Administrator's office or the Auditor-Controller and Treasurer-Tax Collector's office may serve on the board of directors or any committee appointed by the board or the credit committee or supervisory committee of a state or federal credit union which is a depository for County funds.

VIII. Internal Controls

Internal control procedures shall be established and maintained by the Treasurer that provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, misuse, or mismanagement. The internal controls shall be reviewed as part of the regular annual independent audit. The controls and procedures shall be designed to prevent employee error, misrepresentations by third parties, and imprudent or illegal actions by employees or officers of the County.

IX. Cash Management

In determining the amount that can be invested County personnel shall take into account the liquidity needs of the County and the agencies in the Treasury pool, and shall take reasonable steps to ensure that cash flow requirements of the County and pool participants are met for the next six months, barring unforeseen actions from the State Controller or other funding sources, such as deferrals of cash payments.

County personnel shall maintain separate accounting for cash funds and monitor aggregate cash balances of the County and each agency in the Treasury pool, and shall notify the County Administrator or agency management of unhealthy trends in aggregate cash balances and near-deficit aggregate balances.

Agencies that are so notified are expected to take immediate action to cure any deficit and improve cash balances. Continuing deficits shall be reported to the Board of Supervisors for further action.

The Auditor-Controller and Treasurer-Tax Collector shall provide quarterly reports on total cash flows and balances of the Treasury Pool to the Treasury Oversight Committee.

X. Authorized Financial Dealers and Qualified Institutions

The County may secure the services of an Investment Advisor. Precautionary contractual language with such an adviser shall include: delivery versus payment methods, third-party custody arrangements, prohibitions against self-dealings, independent audits, and other appropriate internal control measures as deemed necessary by the Auditor Controller and Treasurer-Tax Collector.

The County or the County's Investment Advisor shall maintain a list of authorized broker/dealers and financial institutions which are approved for investment transaction purposes, and it shall be the policy of the County to purchase securities only from those authorized institutions or firms. Authorized brokers/dealers must either (i) be classified as Reporting Dealers affiliated with the New York Federal Reserve Bank as Primary Dealers or (ii) be registered to conduct business in the State of California and be licensed by the state as a broker-dealer, as defined in Section 25004 of the Corporations Code.

No broker/dealer shall be selected which has within any consecutive 48-month period made a political contribution to the local auditor-controller, treasurer-tax collector or to any member of the Board of Supervisors or to any candidate for these offices in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board.

XI. Permitted Investment Instruments

1. **United States Treasury Obligations**. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **Federal Agency Obligations**. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. **California Municipal Obligations**. Obligations of the State of California, this local agency or any local agency within the state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled or operated by the state, this local agency or any local agency or by a department, board, agency or authority of the state or any local agency; provided that the obligations are approved by a Board of Supervisors resolution, unless rated in one of the two highest categories by Moody's or Standard and Poor's. Any investment in obligations of this local agency shall be in a ratio proportionate to the County's share of the pooled investments.

4. **Repurchase Agreements**. Agreements to be used solely as short-term investments not to exceed 90 days.

   The County may enter into Repurchase Agreements with primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York.

   The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities, as described in X.1 and X.2, will be acceptable collateral.

   All securities underlying Repurchase Agreements must be delivered to the County's custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each Repurchase Agreement must equal or exceed, 102 percent of the total dollar value of the money invested by the County for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed at least weekly.

   Market value must be calculated each time there is a substitution of collateral.

   The County or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

   The County will have properly executed a PSA agreement with each counter party with which it enters into Repurchase Agreements.

5. **Banker's Acceptances**. Issued by domestic or foreign banks, the short-term paper of

which is rated in the highest category by Moody's Investors Services or by Standard & Poor's Corporation.

Purchases of Banker's Acceptances may not exceed 180 days maturity or 40 percent of the County's investment portfolio. No more than 10 percent of the County's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank.

6. **Commercial Paper**. Of prime quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions shown in either paragraph (1) or paragraph (2):

    1. The entity meets the following criteria:

        A. Is organized and operating in the United States as a general corporation.

        B. Has total assets in excess of five hundred million dollars ($500,000,000).

        C. Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

    2. The entity meets the following criteria:

        A. Is organized within the United States as a special purpose corporation, trust, or limited liability company.

        B. Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

        C. Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).

    Purchases of eligible commercial paper may not exceed 270 days maturity.

    No more than 40 percent of the County's investment portfolio may be invested in eligible commercial paper and no more than 10 percent of the portfolio may be invested in any one issuer's commercial paper.

7. **Medium-Term Corporate Notes**. Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "A" or its equivalent by a nationally recognized rating service if the term to maturity from the date of purchase is 3 years or less. If the term to maturity at the time of purchase is between 3 and 5 years then the rating shall be "AA" or better by a nationally recognized rating service.

    Purchase of medium-term corporate notes may not exceed 30 percent of the County's investment portfolio. No more than 10 percent of the County's investment portfolio may be invested in any one issuer.

8. **Non-Negotiable Certificates of Deposit**. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California, including U.S. branches of foreign banks licensed to do business in California. All time deposits must be collateralized in accordance with California Government Code Section 53651, either at 150% by promissory notes secured by first mortgages and first trust deeds upon improved residential property in California eligible under section (m) or at 110% by eligible marketable securities listed in subsections (a) through (l) and (n) and (o). The County, at its discretion and by majority vote of the Board of Supervisors, on a quarterly basis, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

   Alternatively, the County may invest in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit as provided for in Government Code section 53635.8.

9. **Negotiable Certificates of Deposit**. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "A" or better by Moody's or Standard & Poor's.

   Purchases of all negotiable certificates of deposit may not exceed 30 percent of the County's investment portfolio.

10. **Local Government Investment Pools**. (Either state-administered or through joint powers statutes and other intergovernmental agreement legislation.)

    Investments may be maximized to the level allowed by the State and should be reviewed periodically. Investment objectives, limitations, and controls of each pool must be consistent with this policy.

11. **Money Market Funds**. Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the largest nationally recognized statistical rating organizations or (2) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in securities and obligations authorized by Government Code Section 53601 and with assets under management in excess of $500,000,000.

    Money Market Funds shall not exceed 20 percent of the investment portfolio of the County as recorded at purchase price on date of purchase.

12. **Mortgage Pass-Through Securities.** Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-back certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Eligible securities must be rated, by a nationally recognized rating service, as "AAA" or higher, and the issuer of the security must have an "A" or higher rating for its debt as

provided by a nationally recognized rating service. No more than 20 percent of the County's investment portfolio may be invested in this type of security.

13. **Reverse Repurchase Agreements**. Reverse repurchase agreements shall be used primarily as a cash flow management tool and subject to all the following conditions:

    1. The security to be sold using a reverse repurchase agreement has been owned and fully paid for by the County for a minimum of 30 days prior to sale.
    2. The total of all reverse repurchase agreements on investments owned by the County does not exceed 20 percent of the base value of the portfolio. The base value of the County's portfolio for this section is defined as that dollar amount obtained by totaling all cash balances placed in the portfolio by all participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods.
    3. The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
    4. Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty using a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
    5. Investments in reverse repurchase agreements or similar investments in which the County sells securities prior to purchase with a simultaneous agreement to repurchase the security shall be made only with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. A significant banking relationship is defined by any of the following activities of a bank:

        a. Involvement in the creation, sale, purchase, or retirement of the County's bonds, warrants, notes, or other evidence of indebtedness.

        b. Financing of the County's activities.

        c. Acceptance of the County's securities or funds as deposits.

Credit criteria listed in this section refers to the credit of the issuing organization at the time the security is purchased. Should a security owned by the County be downgraded below "A" the Investment Advisor shall immediately notify the County Auditor-Controller who will report to the Board of Supervisors, at their next regularly scheduled meeting, the circumstances of the downgrade and any action taken or recommended.

XII. Ineligible Investments

The County shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. Any other security not specifically permitted by Section X is prohibited.

XIII. Maximum Maturity

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the County to meet all projected obligations.

Unless otherwise specified in this policy or authorized by the Board of Supervisors, no investment shall be made in any security, other than a security underlying a repurchase agreement as authorized by this policy, that at the time of the investment has a term remaining to maturity in excess of five years.

The Board of Supervisors has specifically approved investment maturities beyond five years for two long-term portfolios: Yolo County Landfill Closure Trust Fund and the Yolo County Cache Creek Maintenance and Remediation Fund.

XIV. Diversification & Percentage Limitations

The County shall limit the County's investments in any one non-governmental issuer to no more than 10 percent of the County's total investments at the time of purchase.

All percentage limitations apply at the time of the investment (purchase date).

XV. Reporting Requirements

The County Auditor-Controller and Treasurer-Tax Collector shall render a quarterly investment report to the Board of Supervisors that includes, at a minimum, the following information for each investment:

- Type of investment instrument (e.g., U.S. Treasury note, Federal Agency note)
- Issuer name (e.g., General Electric Capital Corp.)
- Credit quality
- Purchase date
- Maturity date
- Par value
- Purchase price
- Current market value and the source of the valuation
- Current amortized or book value
- Accrued interest
- Original yield to maturity
- Overall portfolio yield based on cost
- New investment transactions

The quarterly report shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the County's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement explaining the ability of the County to meet its cash flows requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

This quarterly report shall be available within 30 days following the end of the quarter, and submitted to the Board of Supervisors at the earliest reasonable opportunity, with copies to all pool participants.

XVI. Annual Review of Investment Policy

The County Auditor-Controller and Treasurer-Tax Collector shall annually prepare an investment policy that will be reviewed by the County Treasury Oversight Committee and submitted to the Board of Supervisors for approval in a public meeting. Any change to the investment policy shall be reviewed and approved by the Board in a public meeting.

XVII. Safekeeping and Custody

All securities, whether negotiable, bearer, registered or non-registered shall be delivered either by book entry or physical delivery to the County's third party custodian.

Monthly safekeeping statements are received from custodians where securities are held. Authorized personnel, other than the person handling daily investments, shall review the statements to confirm that investment transactions have settled and been delivered to the County's third party custodian.

XVIII. Apportionment of Earnings and Costs

The manner of calculating and apportioning the cost of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds is as follows:

Investment earnings shall be apportioned to all pool participants quarterly based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the investment pool. Earnings are computed on an accrual basis and the effective date that earnings are deposited into each fund is the first day of the following quarter (January 1, April 1, July 1, and October 1).

Direct and Administrative (including indirect) costs associated with investing, depositing, banking, auditing, reporting, safekeeping, or otherwise handling or managing funds shall be netted against any moneys received pursuant to state mandated reimbursements and deducted from the gross investment earnings in the quarter received.

XIX. Criteria for Considering Requests to Withdraw Funds

Withdrawal of funds from county treasurer pool may occur pursuant to Government Code Section 27136 and approval of the Board of Supervisors.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investment in the County Pool will be based on the following criteria:

- Size of withdrawal
- Size of remaining balances of:
  - Pool
  - Agency
- Current market conditions
- Duration of withdrawal
- Effect on predicted cash flows
- A determination if there will be sufficient balances remaining to cover costs
- Proof that adequate information has been supplied in order to make a proper finding that other pool participants will not be adversely affected.

The Auditor-Controller and Treasurer-Tax Collector reserves the right to mark a fund balance to market value prior to allowing a withdrawal if it is deemed necessary to be equitable to the remaining funds.

XX. Terms and Conditions for Non-Statutory Combined Pool Participants

All entities qualifying under California Government Code Section 27133 (g) may deposit funds for investment purposes providing all of the following has been accomplished: (1) the agency's administrative body has requested the privilege, (2) has agreed to terms and conditions of an investment agreement as prescribed by the County's Board of Supervisors, (3) has by resolution identified the authorized officer acting on behalf of the agency; and (4) the County Auditor-Controller has prescribed the appropriate accounting procedures.

XXI. Audits

Annual Compliance Audit - Pursuant to Government Code section 27134 the County Treasury Oversight Committee shall cause an annual audit to be conducted to determine the County's compliance with article 6 of the Government Code. The audit may include issues relating to the structure of the investment portfolio and risk. The costs of complying with this article shall be County charges and may be included with those charges enumerated under Section 27013.

Quarterly Review and Annual Financial Audit – The Auditor-Controller shall cause quarterly reviews to be made of the Treasurer's records relative to the type and amount of assets in the treasury, pursuant to Government Code sections 26920 - 23. The Auditor-Controller shall also cause an annual financial audit to be made of the Treasurer's records as of June 30. In addition to an opinion on the statement of assets held in the treasury this audit shall include a review of the adequacy of internal controls.

The annual compliance audit and the annual financial audit may be combined.

The Auditor-Controller and Treasurer-Tax Collector shall report audits that contain significant audit findings, as defined by Statement on Auditing Standards No. 114, to the Finance and Investment Committee of the Board of Supervisors immediately and to the full Board at the earliest reasonable opportunity. Copies of the audit reports shall be provided to the County Treasury Oversight Committee.

All audit recommendations shall be addressed timely and in a manner acceptable to the Board of Supervisors' Audit Committee.

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