NEW ISSUE -- FULL BOOK-ENTRY **RATING: S&P: "AA+"**
BANK QUALIFIED **See "RATING" herein.**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In addition, the Series A Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$3,300,000
MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series A
(Bank Qualified)

Dated: **Date of Delivery** ***Due:*** **August 1, as shown on inside cover**

Issuance. The Monte Rio Union Elementary School District General Obligation Bonds, Election of 2018, Series A (the "Series A Bonds"), in the aggregate principal amount of $3,300,000, are being issued by the Monte Rio Union Elementary School District (the "District") pursuant to a resolution of the Governing Board of the District adopted on December 13, 2018 (the "Bond Resolution"). The Series A Bonds were authorized at an election of the registered voters of the District held on November 6, 2018, which authorized the issuance of $3,300,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Series A Bonds are the first series of bonds to be issued under this authorization. See "THE SERIES A BONDS – Authority for Issuance" and "-Purpose of Issue."

Security. The Series A Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series A Bonds. See "SECURITY FOR THE SERIES A BONDS."

Redemption. The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity under certain circumstances, as described herein. See "THE SERIES A BONDS – Optional Redemption" and "-Mandatory Sinking Fund Redemption."

Book-Entry Only. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series A Bonds. See "THE SERIES A BONDS - Book-Entry-Only System."

Payments. The Series A Bonds are dated the date of delivery set forth above and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2019. Payments of principal of and interest on the Series A Bonds will be paid by the County of Sonoma, though its agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series A Bonds. See "THE SERIES A BONDS."

MATURITY SCHEDULE
(see inside front cover)

This cover page contains information for general reference only. It is not a summary of all the provisions of the Series A Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Series A Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Nossaman LLP, San Francisco, California, is serving as Underwriter's Counsel. It is anticipated that the Series A Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about February 13, 2019.

RBC Capital Markets

The date of this Official Statement is January 31, 2019.

MATURITY SCHEDULE

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT

(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series A
(Bank Qualified)

Base CUSIP†: 61225H

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2020	$130,000	3.000%	1.530%	102.123	AA1
2021	135,000	4.000	1.580	105.831	AB9
2022	45,000	4.000	1.660	107.850	AC7
2025	10,000	5.000	1.910	118.712	AD5
2026	15,000	5.000	2.020	120.557	AE3
2027	20,000	5.000	2.130	122.126	AF0
2028	25,000	5.000	2.230	123.521	AG8
2029	35,000	5.000	2.350	124.461	AH6

$290,000 - 4.000% Term Bonds due August 1, 2034; Yield: 3.130%; Price: 107.712%[C]; CUSIP†: AJ2

$545,000 - 5.000% Term Bonds due August 1, 2039; Yield: 3.130%; Price: 116.579%[C]; CUSIP†: AK9

$2,050,000 - 5.250% Term Bonds due August 1, 2048; Yield: 3.260%; Price: 117.526%[C]; CUSIP†: AL7

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† CUSIP Copyright 2019, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.
C: Priced to first par call on August 1, 2029.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Series A Bond owner and the District or the Underwriter.

Rule 15c2-12. For purposes of compliance with Rule 15c2-12(b)(5) of the United States Securities Exchange Commission Rule, as amended (the "Rule"), this Preliminary Official Statement constitutes an "Official Statement" of the District with respect to the Series A Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted to be omitted by the Rule.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information

No Securities Laws Registration. The Series A Bonds 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 Series A Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series A Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Stabilization of Offering Prices. In connection with the offering of the Series A Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Series A Bonds.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
COUNTY OF SONOMA
STATE OF CALIFORNIA

DISTRICT GOVERNING BOARD

Roger Collins, *President*
Mary Cowen Baker, *Clerk*
Dina Fazio *Member*
Noelani Price, *Member*
Jesse Stearn, *Member*

DISTRICT ADMINISTRATION

Nathan Myers, *Superintendent*
Onie Garcia, *Business Manager*

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

The County of Sonoma, through its designated agent,
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

UNDERWRITER'S COUNSEL

Nossaman LLP
San Francisco, California

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$3,300,000
MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series A
(Bank Qualified)

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery by the Monte Rio Union Elementary School District (the "**District**") of the Monte Rio Union Elementary School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series A (Bank Qualified), in the aggregate principal amount of $3,300,000 (the "**Series A Bonds**").

INTRODUCTION

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

The District

The community of Monte Rio is a small town located in western Sonoma County (the **"County"**) situated between the Russian River and surrounding hills. The boundaries of the District are within the unincorporated town of Monte Rio, located approximately 74 miles northwest of San Francisco and approximately eight miles from the County coastline. The District currently operates one elementary school and provides education for students in grades kindergarten through eight. Total enrollment for the 2018-19 school year is 84 students. The District's total assessed value for fiscal year 2018-19 is $428,968,126. The District's local property tax entitlement exceeds its funding entitlement under the State education funding formula known as the Local Control Funding Formula (**"LCFF"**). As such, the District is a **"Community Supported District"**, also known as **"Basic Aid"**, and as such, is entitled to keep its full property tax entitlement in lieu of the lower amount of State funding that would be available to it.

For more information regarding the District and its finances, see Appendix A and Appendix B hereto. See also Appendix C for demographic and other statistical information regarding the County.

Purpose of Issue

The net proceeds of the Series A Bonds will be used to finance school construction and improvements to the school facilities as approved by the voters at an election held in the District on November 6, 2018. See "THE SERIES A BONDS - Purpose of Issue" and "- Authority for Issuance" and "SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Series A Bonds

Issuance of the Series A Bonds was approved by 55% or more of the voters of the District voting at an election held on November 6, 2018 (the **"Bond Election"**) and will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the **"Bond Law"**), and pursuant to a resolution adopted by the Governing Board of the District adopted on December 14, 2018 (the **"Bond Resolution"**). See "THE SERIES A BONDS - Authority for Issuance" herein.

Sources of Payment for the Series A Bonds

The Series A Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series A Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES A BONDS" herein.

Description of the Series A Bonds

Form of Bonds. The Series A Bonds are being issued as bonds which bear current interest. The Series A Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series A Bonds. See "THE SERIES A BONDS – Description of the Series A Bonds," "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

Redemption. The Series A Bonds are subject to redemption prior to maturity as described in "THE SERIES A BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption" herein.

Legal Matters

Issuance of the Series A Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (**"Bond Counsel"**), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (**"Disclosure Counsel"**). Nossaman LLP, San Francisco, California, is serving as counsel to the Underwriter (**"Underwriter's Counsel"**). Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Series A Bonds. See "APPENDIX D – Form of Opinion of Bond Counsel."

Tax Matters; Bank Qualification

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Series A Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Series A Bonds will be exempt from the State personal income taxes. The District has designated the Series A Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a “financial institution” (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to interest payable on the Series A Bonds. See “TAX MATTERS” herein.

Offering and Delivery of the Series A Bonds

The Series A Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Series A Bonds will be available for delivery through the facilities of DTC on or about February 13, 2019.

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Series A Bonds. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See “CERTAIN LEGAL MATTERS - Continuing Disclosure” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Series A Bonds are available from the Superintendent of the District, Monte Rio Union Elementary School District, 20700 Foothill Drive, Monte Rio , California 95462, Telephone: (707) 865-2266. The District may impose a charge for copying, mailing and handling.

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

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

THE SERIES A BONDS

Authority for Issuance

The Series A Bonds will be issued pursuant to the Bond Law and the Bond Resolution. The District received authorization at the Bond Election, by more than the requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount of $3,300,000 (the **"Authorization"**). The Series A Bonds are expected to be the first and only series of general obligation bonds issued pursuant to the Authorization.

Purpose of Issue

The proceeds of bonds issued pursuant to the Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on November 6, 2018 by 71.6% of the voters and known as Measure J (**"Measure J"**). The abbreviated summary of Measure J (limited to up to 75 words) as set forth on the ballot is as follows:

> *"To improve the quality of education; replace outdated heating and ventilation systems; repair or replace leaky roofs; and modernize outdated classrooms, restrooms and school facilities; shall Monte Rio Union Elementary School District issue $3,300,000 of bonds at legal rates, generating on average $234,000 annually for issued bonds through maturity from levies of approximately $0.03 per $100 assessed value, with annual audits, independent citizens' oversight committee, NO money for salaries and all money for local schools?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with the full text of Ballot Measure, which, among other items, included a project list, identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election. The Series A Bonds will be the first and only series of bonds issued pursuant to Measure J. See "DEBT SERVICE SCHEDULE - Series A Bonds" herein for the debt service due with respect to the Series A Bonds. The District has no other general obligation bond indebtedness outstanding.

Description of the Series A Bonds

The Series A Bonds are being issued as bonds which bear current interest. The Series A Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Series A Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series A Bonds. See "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

The Series A Bonds shall be issued in denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Series A Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019 (each, an **"Interest Payment Date"**). Each Series A Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2019, in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Series A Bond is in default at the time of authentication thereof, such Series A Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Series A Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series A Bonds.

Paying Agent

The County of Sonoma, through its designated agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the registrar, transfer agent, and paying agent for the Series A Bonds (the **"Paying Agent"**). As long as DTC is the registered owner of the Series A Bonds and DTC's book-entry method is used for the Series A Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series A Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the County and the Underwriter of the Series A Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series A Bonds.

Optional Redemption

The Series A Bonds maturing on or before August 1, 2029 are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after August 1, 2030 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2029, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, the Series A Bonds will be deemed to consist of $5,000 portions (principal amount), and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Series A Bonds maturing on August 1, 2034, August 1, 2039, and August 1, 2048 (collectively, the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each years in accordance with the respective schedules set forth below for such Term Bonds. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000.

Term Bonds Maturing August 1, 2034

Redemption Date (August 1)	Sinking Fund Redemption
2030	$40,000
2031	50,000
2032	60,000
2033	65,000
2034 (Maturity)	75,000

Term Bonds Maturing August 1, 2039

Redemption Date (August 1)	Sinking Fund Redemption
2035	$85,000
2036	95,000
2037	110,000
2038	120,000
2039 (Maturity)	135,000

Term Bonds Maturing August 1, 2048

Redemption Date (August 1)	Sinking Fund Redemption
2040	$150,000
2041	165,000
2042	185,000
2043	205,000
2044	225,000
2045	245,000
2046	270,000
2047	290,000
2048 (Maturity)	315,000

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Series A Bonds, at the expense of the District, to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Series A Bonds designated for redemption, at their addresses appearing on the Registration Books. Notice of any redemption of Series A Bonds shall specify: (a) the Series A Bonds or designated portions thereof (in the case of redemption of the Series A Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series A Bonds to be redeemed, (f) the Bond numbers of the Series A Bonds to be redeemed in whole or in part and, in the case of any Series A Bond to be redeemed in part only, the Principal Amount of such Series A Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Series A Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Series A Bonds.

Partial Redemption of Series A Bonds

Upon the surrender of any Series A Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Series A Bond or Series A Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Series A Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Series A Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series A Bonds then called for redemption. The District and the Paying Agent have no liability to the Series A Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Book-Entry Only System

The Series A Bonds will be registered initially in the name of “Cede & Co.,” as nominee of The Depository Trust Company (**“DTC”**), which has been appointed as securities depository for the Series A Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Series A Bonds. Principal of the Series A Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Series A Bonds as described herein. See “APPENDIX F – DTC and the Book-Entry System.”

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Series A Bonds.

If the book entry system is discontinued, the person in whose name a Series A Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series A Bond. Payment of the principal of and interest on any Series A Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolution.

Series A Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, California for a like aggregate principal amount of Series A Bonds of authorized denominations and of the same maturity. Any Series A Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Series A Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Series A Bonds shall be required to be made (a) fifteen days prior to an Bond Payment Date or the date established by the Paying Agent for selection of Series A Bonds for redemption until the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Series A Bond after such Series A Bond has been selected or called for redemption in whole or in part.

Defeasance

The Series A Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Series A Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Series A Bonds; or

(c) by delivering such Series A Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series A Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the Principal Amount of such Series A Bonds and all unpaid interest thereon to maturity, except that, in the case of Series A Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the Principal Amount or redemption price of such Series A Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series A Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series A Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Series A Bond (whether upon or prior to its maturity or the redemption date of such Series A Bond), then all liability of the County and the District in respect of such Series A Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Series A Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As used in the foregoing defeasance provision, the term **"Federal Securities"** means non-callable United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULE

The following table shows the annual debt service schedule with respect to the Series A Bonds (assuming no optional redemptions). The District has no other bonded indebtedness.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Annual Debt Service Schedule
General Obligation Bonds
Election of 2018, Series A

Period Ending August 1	Series A Bonds Principal	Series A Bonds Interest	Series A Bonds Total
2019	--	$75,985.00	$75,985.00
2020	$130,000.00	162,825.00	292,825.00
2021	135,000.00	158,925.00	293,925.00
2022	45,000.00	153,525.00	198,525.00
2023	--	151,725.00	151,725.00
2024	--	151,725.00	151,725.00
2025	10,000.00	151,725.00	161,725.00
2026	15,000.00	151,225.00	166,225.00
2027	20,000.00	150,475.00	170,475.00
2028	25,000.00	149,475.00	174,475.00
2029	35,000.00	148,225.00	183,225.00
2030	40,000.00	146,475.00	186,475.00
2031	50,000.00	144,875.00	194,875.00
2032	60,000.00	142,875.00	202,875.00
2033	65,000.00	140,475.00	205,475.00
2034	75,000.00	137,875.00	212,875.00
2035	85,000.00	134,875.00	219,875.00
2036	95,000.00	130,625.00	225,625.00
2037	110,000.00	125,875.00	235,875.00
2038	120,000.00	120,375.00	240,375.00
2039	135,000.00	114,375.00	249,375.00
2040	150,000.00	107,625.00	257,625.00
2041	165,000.00	99,750.00	264,750.00
2042	185,000.00	91,087.50	276,087.50
2043	205,000.00	81,375.00	286,375.00
2044	225,000.00	70,612.50	295,612.50
2045	245,000.00	58,800.00	303,800.00
2046	270,000.00	45,937.50	315,937.50
2047	290,000.00	31,762.50	321,762.50
2048	315,000.00	16,537.50	331,537.50
Total	$3,300,000.00	$3,548,022.50	$6,848,022.50

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series A Bonds are as follows:

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Sources and Uses
General Obligation Bonds
Election of 2018, Series A

Sources of Funds	
Principal Amount of Series A Bonds	$3,300,000.00
Original Issue Premium	509,989.15
Total Sources	**$3,809,989.15**
Uses of Funds	
Building Fund	$3,150,000.00
Debt Service Fund	460,489.15
Costs of Issuance(1)	199,500.00
Total Uses	**$3,809,989.15**

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the financial advisor, the Paying Agent, and the rating agency.

APPLICATION OF PROCEEDS OF SERIES A BONDS

Building Fund

The proceeds from the sale of the Series A Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Monte Rio Union Elementary School District General Obligation Bond, Election of 2018, Series A Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series A Bonds are being issued and for payment of permissible costs of issuance. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE SERIES A BONDS - Debt Service Fund," the County will establish a debt service fund for the Series A Bonds to be designated the "Election of 2018, Series A General Obligation Bonds Debt Service Fund" (the **"Debt Service Fund"**). Accrued interest and premium, if any, received by the County from the sale of the Series A Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series A Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Series A Bonds when due. Any moneys remaining in the Debt Service Fund after the Series A Bonds and the interest thereon have been paid, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Series A Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Series A Bonds, shall be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. All amounts deposited in the Building Fund of the District shall be invested at the sole discretion of the County Treasurer. See Appendix G for the County's current Investment Policy and recent quarterly report. The County Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds.

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SECURITY FOR THE SERIES A BONDS

Ad Valorem Taxes

***Series A Bonds Payable from Ad Valorem Property Taxes*.** The Series A Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Series A Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Series A Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Debt Payable from Ad Valorem Property Taxes. In addition to the District's general obligation bonds, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Typical Tax Rates" and "– Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the Debt Service Fund for the Series A Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Series A Bonds when due.

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Series A Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Series A Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series A Bonds. Fluctuations in the annual debt service on the Series A Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

As described herein, the County will establish the Debt Service Fund for the Series A Bonds. See “APPLICATION OF PROCEEDS OF SERIES A BONDS - Debt Service Fund. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Series A Bonds will be deposited in the Debt Service Fund by the County promptly upon receipt. The Debt Service Fund has been pledged for the payment of the principal of and interest and premium (if any) on the Series A Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Series A Bonds as the same becomes due and payable. The collections deposited in the Debt Service Fund are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service the Series A Bonds.

Not a County Obligation

The Series A Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Series A Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Series A Bonds, the Series A Bonds are not a debt of the County.

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PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a peRiod of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties of the State based on the situs of the vaRious components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full 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, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

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Shown in the following table are recent assessed valuations in the District.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2009-10 through Fiscal Year 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2009-10	$317,019,455	$1,500	$1,800,525	$ 318,821,480	--%
2010-11	317,859,348	1,500	1,668,527	319,529,375	0.2
2011-12	308,696,766	1,500	1,553,602	310,251,868	(2.9)
2012-13	312,545,202	1,500	1,668,757	314,215,459	1.3
2013-14	314,527,162	1,500	1,467,378	315,996,040	0.6
2014-15	330,522,971	26,136	1,521,177	332,070,284	5.1
2015-16	355,070,522	26,136	1,664,658	356,761,316	7.4
2016-17	378,094,320	26,136	1,612,778	379,733,234	6.4
2017-18	401,360,088	26,136	1,402,333	402,788,557	6.1
2018-19	427,391,998	30,710	1,545,418	428,968,126	6.5

Source: California Municipal Statistics, Inc.

Some Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, property reclassifications, and man-made or natural disasters such as earthquakes, fires, floods and droughts. The District is located in a seismically active region. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, numerous wildfires in different regions of the State, including in the vicinity of the District, and flooding and mudslides. With respect to wildfires specifically, recent fires occurring in Northern California and in Sonoma County and Napa County in particular, did not burn within the boundaries of the District but were in the vicinity of the District, and caused the destruction of thousands of acres and destroyed thousands of homes and structures. The District is in an area that may also experience local flooding. The District cannot predict or make any representations regarding the effects that any natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

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Parcels by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2018-19.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

	2018-19 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$21,549,450	5.04%	114	4.48%
Commercial	7,157,900	1.67	27	1.06
Vacant Commercial	206,132	0.05	11	0.43
Hotel, Inns and Cabins	11,885,462	2.78	21	0.83
Recreational/Campground	28,705,883	6.72	15	0.59
Government/Social/Institutional	96,436	0.02	9	0.35
Miscellaneous	804,061	0.19	43	1.69
Subtotal Non-Residential	$70,405,324	16.47%	240	9.43%
Residential:				
Single Family Residence	$308,239,122	72.12%	1,131	44.44%
Mobile Home	1,464,978	0.34	10	0.39
Mobile Home Park	860,661	0.20	2	0.08
2-4 Residential Units	30,873,811	7.22	93	3.65
5+ Residential Units/Apartments	5,289,727	1.24	7	0.28
Vacant Residential	10,258,375	2.40	1,062	41.73
Subtotal Residential	$356,986,674	83.53%	2,305	90.57%
Total	$427,391,998	100.00%	2,545	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Per Parcel Assessed Valuation of Single-Family Homes. The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2018-19.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,131	$308,239,122	$272,537	$215,690

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	158	13.970%	13.970%	$ 4,325,481	1.403%	1.403%
$50,000 - $99,999	119	10.522	24.492	9,214,030	2.989	4.393
$100,000 - $149,999	124	10.964	35.455	15,414,490	5.001	9.393
$150,000 - $199,999	125	11.052	46.508	21,909,758	7.108	16.501
$200,000 - $249,999	95	8.400	54.907	21,082,640	6.840	23.341
$250,000 - $299,999	80	7.073	61.981	21,664,717	7.029	30.370
$300,000 - $349,999	74	6.543	68.523	23,993,353	7.784	38.154
$350,000 - $399,999	91	8.046	76.569	33,951,255	11.015	49.168
$400,000 - $449,999	58	5.128	81.698	24,428,843	7.925	57.094
$450,000 - $499,999	42	3.714	85.411	19,627,108	6.367	63.461
$500,000 - $549,999	38	3.360	88.771	20,002,544	6.489	69.950
$550,000 - $599,999	30	2.653	91.424	17,233,770	5.591	75.541
$600,000 - $649,999	17	1.503	92.927	10,553,204	3.424	78.965
$650,000 - $699,999	23	2.034	94.960	15,591,231	5.058	84.023
$700,000 - $749,999	13	1.149	96.110	9,337,263	3.029	87.052
$750,000 - $799,999	12	1.061	97.171	9,252,695	3.002	90.054
$800,000 - $849,999	6	0.531	97.701	4,911,487	1.593	91.648
$850,000 - $899,999	8	0.707	98.408	6,957,229	2.257	93.905
$900,000 - $949,999	2	0.177	98.585	1,835,795	0.596	94.500
$950,000 - $999,999	3	0.265	98.851	2,898,962	0.940	95.441
$1,000,000 and greater	13	1.149	100.000	14,053,267	4.559	100.000
Total	1,131	100.000%		$308,239,122	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A hereto.

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

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Series A Bonds to increase accordingly, so that the fixed debt service on the Series A Bonds (and other outstanding general obligation bonds, if any) may be paid.

Typical Tax Rates

Below are historical typical tax rates in a tax rate area within the District.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
(TRA 156-54; Assessed Valuation: $99,712,343[(1)])
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Warm Springs Dam	.0070	.0070	.0070	.0070	.0070
Palm Drive Health Care District	.0052	.0052	.0052	.0050	.0052
Monte Rio Union Elementary School District	.0000	.0000	.0000	.0000	.0000
West Sonoma Union High School District	0155	.0190	.0170	.0170	.0485
Sonoma County Joint Community College District	.0180	.0160	.0400	.0370	.0360
Total Tax Rate	$1.0457	$1.0472	$1.0697	$1.0662	$1.0967

(1) 23.24% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies - Teeter Plan

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes the District's general obligation bond levies in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

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Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2018-19. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Bohemian Club Corp.	Private Campground	$26,340,224	6.16%
2.	Dublin Square LLC	Inn and Cabins	3,783,438	0.89
3.	David E. Cowfer	Rural Residential	3,163,076	0.74
4.	Jesse Ronald & Amy Stearn	Rural Residential	2,384,296	0.56
5.	Karen Fiona O'Brien	Resort and Accommodations	2,081,433	0.49
6.	Gordon Paul Matthews Trust	Rural Residential	2,057,916	0.48
7.	Rivers End Ventures LLC	Restaurant and Cabins	2,020,943	0.47
8.	Jon A. & Brooke Kyla Box	Multi-Family Residential	1,997,114	0.47
9.	Bruce B. & Darla K. Ravella Trust	Multi-Family Residential	1,503,500	0.35
10.	Sharon I. Montgomery Trust	Multi-Family Residential	1,488,424	0.35
11.	Peter M. Elias & Mary L. Williams	Rural Residential	1,438,283	0.34
12.	Don Paul & Ilene English-Paul Trust	Rural Residential	1,372,502	0.32
13.	Charles E. Symes II	Rural Residential	1,347,853	0.32
14.	Georgina D. Casini Trust	Campground	1,311,432	0.31
15.	Roger Allen Weatherby Trust	Rural Residential	1,209,989	0.28
16.	John W. Roulac	Restaurant and Cabins	1,206,864	0.28
17.	Roberta Pearl Trust	Residential	1,200,000	0.28
18.	Robert David Holvey	Residential	1,199,025	0.28
19.	James Paul Green Trust	Bed & Breakfast	1,164,775	0.27
20.	Thomas J. Gill	Residential	1,161,889	0.27
			$59,432,976	13.91%

(1) 2018-19 local secured assessed valuation: $427,391,998.
Source: California Municipal Statistics, Inc.

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Debt Obligations

Set forth below is a direct and overlapping debt report (the **"Debt Report"**) prepared by California Municipal Statistics, Inc. and with respect to debt dated as of December 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of December 1, 2018

2018-19 Assessed Valuation: $428,968,126

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 12/1/18**	
Sonoma County Joint Community College District	0.475%	$1,070,436	
West Sonoma County Union High School District	4.392	2,049,929	
Palm Drive Healthcare District	4.138	154,761	
Palm Drive Healthcare District Parcel Tax Obligations	4.138	629,597	
Monte Rio Union Elementary School District	**100.000**	**-**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		**$3,904,723**	
OVERLAPPING GENERAL FUND DEBT:			
Sonoma County General Fund Obligations	0.479%	$ 72,233	
Sonoma County Pension Obligation Bonds	0.479	1,687,852	
Sonoma County Office of Education Certificates of Participation	0.479	21,010	
Sonoma County Joint Community College District General Fund Obligations	0.475	4,536	
West Sonoma County High School District General Fund Obligations	4.392	41,376	
Bodega Bay Fire Protection District Certificates of Participation	0.031	287	
TOTAL OVERLAPPING GENERAL FUND DEBT		$1,827,294	
COMBINED TOTAL DEBT		**$5,732,017**	(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt 0.00%
Total Direct and Overlapping Tax and Assessment Debt 0.91%
Combined Total Debt 1.34%

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the [Issuer] comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or cause the Bonds to not be "qualified tax-exempt obligations," or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Series A Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2020, with the report for the 2018-19 Fiscal Year (the **"Annual Report"**), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the **"MSRB"**). The specific nature of the information to be contained in an Annual Report or other notices is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**). The undertaking in connection with the Series A Bonds is the District's first undertaking.

In order to assist in complying with its disclosure undertaking, the District has engaged Isom Advisors, a Division of Urban Futures, Inc. to serve as its dissemination agent with respect to all of such undertakings pursuant to the Rule.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Series A Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series A Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Series A Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Series A Bonds or actions taken with respect to the Series A Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse affect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("**S&P**") has assigned a rating of "AA+" to the Series A Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such rating reflects only the view of S&P and an explanation of the significance of such rating and outlook may be obtained only from S&P. There is no assurance that any credit rating given to the Series A Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series A Bonds.

UNDERWRITING

The Series A Bonds were sold to RBC Capital Markets, LLC (the **"Underwriter"**), pursuant to a bond purchase agreement for the Series A Bonds. The Underwriter has agreed to purchase the Series A Bonds at a price of $3,760,489.15, representing the principal amount of the Series A Bonds, plus original issue premium of $509,989.15 and less Underwriter's discount of $49,500.00. The Underwriter may offer and sell Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

ADDITIONAL INFORMATION

The reference herein to the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Series A Bonds will be on file at the offices of the Paying Agent in San Francisco, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series A Bonds.

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EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT

By: *<u>/s/ Nathan Myers</u>*
Superintendent

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APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District, its operating budget and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series A Bonds is payable from the general fund of the District. The Series A Bonds are payable solely from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE SERIES A BONDS" herein.*

DISTRICT GENERAL INFORMATION

General Information

The community of Monte Rio is a small town located in Sonoma County (the **"County"**) situated between the Russian River and the surrounding hills. The boundaries of the Monte Rio Union Elementary School District (the **"District"**) encompass area within the unincorporated town of Monte Rio, located approximately 74 miles northwest of San Francisco and approximately 8 miles from the Sonoma coastline. The District currently operates one elementary school and provides education for students in grades kindergarten through eight. Total enrollment for the 2018-19 school year is 84 students.

For purposes of education funding, the District is a "**Community Funded District"** or **"Basic Aid District,"** meaning that the District's share of local property taxes exceeds its funding entitlement under the State's education funding formula known as LCFF. For Fiscal Year 2018-19, the District projects that it will receive $600,000 more in funding than it would have received if it were operating as a LCFF District. The District has been a Basic Aid District for many years, and anticipates maintaining its status as such in the near and distant future.

District Governance and Administration

Board of Trustees. The District is governed by a five-member Board of Trustees (the "**District Board**"), with each member elected to a four-year term in alternate slates of two and three years. Current members of Board of Trustees, together with office and the date current terms expire, are listed below:

BOARD OF TRUSTEES
Monte Rio Union Elementary School District

Name	Office	Current Term Expires
Roger Collins	President	December 2022
Mary Cowan Baker	Clerk	December 2022
Dino Fazio	Member	December 2022
Noelani Price	Member	December 2020
Jesse Stearn	Member	December 2020

Administration. The day-to-day operations are managed by a board-appointed Superintendent. Nathan Myers is Superintendent of the District. Onie Garcia is the Business Manager.

Recent Enrollment and ADA Trends

The following table shows recent enrollment and average daily attendance history for the District with projected figures for fiscal year 2018-19.

ANNUAL ENROLLMENT AND AVERAGE DAILY ATTENDANCE
Fiscal Years 2013-14 through 2018-19*
Monte Rio Union Elementary School District

School Year	Enrollment	Percent Change	ADA	Percent Change
2013-14	94	--	88	--
2014-15	89	(5.3)%	82	(6.8)%
2015-16	85	(4.5)	80	(2.5)
2016-17	90	5.6	87	0.7
2017-18*	89	(1.1)	85	(2.3)
2018-19*	84	(5.6)	81	(4.7)

*Estimates/projections for fiscal years 2017-18 and 2018-19.
Source: California Department of Education; Monte Rio Union Elementary School District for 2017-18 and 2018-19.

Employee Relations

The District has 6.2 full-time equivalent (**"FTE"**) certificated (non-management) positions, FTE 7.5 classified (non-management) positions and 1.5 FTE management, supervisor and confidential positions.

The classified and certificated employees of the District are represented by bargaining units, as follows:

CONTRACTS WITH BARGAINING UNITS
Monte Rio Union Elementary School District

Employee Group	Representation	Contract Expiration Date
Certificated	Monte Rio Teachers' Association	June 30, 2020
Classified	California Schools Employees Association	June 30, 2019

Source: Monte Rio Union Elementary School District.

Insurance - Joint Powers Agreements

The District participates in one joint powers agreement ("**JPAs**"). The Redwood Empire Schools' Insurance Group provides for property and liability, workers' compensation, and dental insurance coverage.

The JPAs arrange for and/or provide coverage for members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board.

Each member district pays a premium commensurate with the level of coverage requested and shared surpluses and deficits proportionately to their participation in the JPAs. The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

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DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed "**Basic Aid District**" or a "**Community Funded District,"** and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2018-19 are set forth in the following table.

Fiscal Year 2018-19 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2017-18 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2018-19 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,193	$266	$776	$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Community Funded (Basic Aid) Districts

Community Funded Districts (formerly known as **"Basic Aid Districts"**) are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Funded Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Funded Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors.

The District is projected to be a Community Funded District in fiscal year 2018-19, and has been such for many years. The District estimates that its funding for fiscal year 2018-19 is $600,000 more than what it would receive if it were not a Community Funded District. The District anticipates remaining as a Community Funded District in the near future.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see "APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ending June 30, 2017 – Note 1 - Significant Accounting Policies" herein.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's Audited Financial Statements for fiscal years ending June 30, 2017, were prepared by Stephen Roatch Accountancy Corporation, Certified Public Accountants, Folsom, California. Audited financial statements for the District for the fiscal year ended June 30, 2018 and prior fiscal years are on file with the District and available for public inspection at the Monte Rio Union Elementary School District, 20700 Foothill Drive, Monte Rio, California 95462, Phone: (707) 865-2266. See Appendix B hereto for the 2017-18 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District' audit for fiscal year ending June 30, 2018 is expected to be presented to the Board of Trustee for acceptance on January 17, 2019.

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

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General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited general fund income and expense statements for the District's General Fund for fiscal years 2013-14 through 2017-18.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18 (Audited)
Monte Rio Union Elementary School District

Revenues	**Audited 2013-14**	**Audited 2014-15**	**Audited 2015-16**	**Audited 2016-17**	**Audited 2017-18**
Total LCFF Sources(1)	$1,045,694	$1,031,692	$1,138,812	$1,191,605	$1,189,475
Federal Revenues	16,366	17,602	18,869	16,182	23,769
Other state revenues	55,757	50,333	149,02	75,967	91,147
Other local revenues	233,801	182,956	242,949	287,289	287,334
Total Revenues	1,351,618	1,282,583	1,550,032	1,571,043	1,591,725
Expenditures					
Instruction	624,431	652,476	672,977	770,419	925,433
Supervision of instruction	--	1,431	--	--	--
Instructional library and technology	14,9991	15,422	15,934	14,665	15,230
School site administration	208,317	259,222	262,055	259,566	259,696
Home-To-School transportation	75,126	53,084	80,602	77,191	93,300
Food services	--	--	--	--	--
Other pupil services	6,305	23,668	30,934	46,973	43,667
Data processing services	1,200	1,200	1,200	--	--
Other general administration	146,983	150,010	165,352	186,277	171,138
Plant services	127,516	100,934	98,121	125,379	223,012
Facilities Acquisition and Construction	--	--	--	--	--
Ancillary services	74,726	301	564	--	--
Other outgo	14,137	12,600	--	--	--
Principal retirement	--	--	--	--	17,688
Total Expenditures	1,293,732	1,270,348	1,327,739	1,480,470	1,749,164
Excess of Revenues Over/(Under) Expenditures	57,886	12,235	222,293	90,573	(157,439)
Other Financing Sources (Uses)					
Transfers in	--	--	--	--	--
Transfers out	(13,457)	(24,368)	(25,000)	(28,000)	(32,425)
Contributions	--	--	--	--	--
Total Other Financing Sources (Uses)	(13,457)	(24,368)	(25,000)	(28,000)	19,340
Net change in fund balance	44,429	(12,133)	197,293	62,573	(138,099)
Fund Balance, July 1 (1)	770,847	815,276	803,143	1,000,436	1,125,490
Fund Balance, June 30	$815,276	$803,143	$1,000,436	$1,063,009	$987,391

(1) Because the District is a Basic Aid District, the majority of LCFF funding is derived from local property taxes, with a small amount of State funding.
Source: Monte Rio Union Elementary School District Audited Financial Statements.

District Budget and Interim Financial Reporting

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

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

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

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

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- ***Positive certification*** - the school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

- ***Negative certification*** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.

- ***Qualified certification*** - the school district may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has certified each of its interim reports as positive, including its fiscal year 2018-19 First Interim Report.

Copies of budgets and interim reports are available from the Superintendent of the District, Monte Rio Union Elementary School District, 20700 Foothill Drive, Monte Rio, California 95462, Phone: (707) 865-2266. The District may impose a charge for copying, mailing and handling.

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***General Fund Fiscal Year 2018-19 (First Interim Projections)*.** The following table shows the income and expense statements for the District's General Fund for fiscal year 2018-19 (First Interim Projections).

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (First Interim Projections)*[(1)]

Revenues	**First Interim Projections Fiscal Year 2018-19**
Total LCFF Sources[(2)]	$1,206,296
Federal Revenues	19,966
Other state revenues	72,500
Other local revenues	200,772
Total Revenues	1,499,533
Expenditures	
Certificated Salaries	516,306
Classified Salaries	291,590
Employee Benefits	330,273
Books and Supplies	48,384
Services & Other Operating Exp.	326,691
Debt Service:	
Principal Retirement	--
Total Expenditures	1,513244
Excess of Revenues Over/(Under) Expenditures	(13,711)
Other Financing Sources (Uses)	
Operating transfers in	--
Operating transfers out	(37,507)
Other sources	--
Total Other Financing Sources (Uses)	(37,507)
Net change in fund balance	(51,218)
Fund Balance, July 1	628,262
Fund Balance, June 30	$577,045

*Totals may not foot due to rounding.
(1) The District's reserves are not accounted for in its General Fund for purposes of budgeting and projections. As such, beginning and ending fund balance figures do not correspond with presentation of audited financial statements in the previous table, because the District's audits account for reserve funds within the General Fund.
(2) As a Basic Aid District, LCFF entitlements are provided for through local property tax revenue entitlement, which exceed the entitlement the District would have received it was not Basic Aid.
Source: Monte Rio Union Elementary School District.

District Reserves. In general, the State requires that California school districts maintain the equivalent of 5% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically had a reserve in excess of the 5%.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the California Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the Board of Trustees must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

Attendance - Revenue Limit and LCFF Funding Trends

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance ("**ADA**"). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

However, as explained herein, certain school districts may be categorized as Community Funded Districts or Basic Aid Districts, and as such, are entitled to keep the share of local property tax revenues that exceed its State funding entitlement, which generally provided more funding per ADA than the district would be entitled to as a non-Basic Aid District. The following table sets forth total LCFF funding (Basic Aid) for the District for fiscal years 2013-14 through 2017-18 (Budgeted).

ADA AND FUNDING TRENDS
Fiscal Years 2013-14 through 2018-19 (Projected)
Monte Rio Union Elementary School District

Fiscal Year	ADA(1)	Total LCFF Funding (Basic Aid)
2013-14	88	$1,045,694
2014-15	82	1,031,692
2015-16	80	1,138,812
2016-17	87	1,191,605
2017-18	85	1,189,475
2018-19(2)	85	1,206,296

(1) P-2 for Fiscal Year 2013-14 through 2017-18; Budgeted for Fiscal Year 2018-19.
(2) Projected in First Interim for Fiscal Year 2018-19.
Source: The District.

Unduplicated Pupil Count. The District's unduplicated pupil count for purposes of supplemental and concentration grant funding under LCFF, to the extent applicable, is 59.5%. Under LCFF, school districts with a more than 55% unduplicated student count qualify for supplemental funding and concentration grant funding. Notwithstanding the foregoing, Basic Aid Districts benefit from funding in excess of the LCFF entitlement due to its share of local property tax revenues, not from funding pursuant to LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. As a Community Funded District, the majority of the District's funding is provided from local property tax revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources (for example, donations and parent teacher association revenues).

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of June 30, 2017 by $483,564. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS CONTRIBUTIONS
Monte Rio Union Elementary School District

Fiscal Year	Amount
2012-13	$31,978
2013-14	32,046
2014-15	36,587
2015-16	45,983
2016-17*	55,116
2017-18	119,136
2018-19 (1)	111,535

*Increase in fiscal years 2015-16 and 2016-17 attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
(1) First Interim Projection.
Source: Monte Rio Union Elementary School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.3 billion as of June 30, 2017 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58% 15.53%, and 18.06% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2020-21 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23

Fiscal Year	Employer Contribution Rate[1]
2019-20	18.13%
2020-21	19.10
2021-22[2]	18.60
2022-23[2]	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS CONTRIBUTIONS
Monte Rio Union Elementary School District

Fiscal Year	Amount
2012-13	$31,463
2013-14	37,114
2014-15	35,492
2015-16	35,416
2016-17	35,645
2017-18	42,599
2018-19 [1]	45,853

(1) First Interim Projection.
Source: Monte Rio Union Elementary School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $23.6 billion as of June 30, 2017 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2022-23[(1)]

Fiscal Year	Employer Contribution Rate[(2)]
2019-20	20.800%
2020-21	23.500
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, except the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information*.* Additional information regarding the District's retirement programs is available in Note 10 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

No Other Post-Employment Benefits (OPEB)

The District does not provide other post-employment benefits.

Long Term Debt

Other than liability relating to pensions, the District does not have any other long-term debt. The Series A Bonds described herein will be the first long term debt issue of the District.

Capital Leases

The District has entered into a lease-purchase agreement for educational products valued at $54,765, which provides for titles to pass upon expiration of the lease terms. As of June 30, 2018, the present value of minimum lease payments was $37,077.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Sonoma County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See Appendix G hereto for the County's current investment policy and most recent quarterly investment report.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—State Funding of Education – Revenue Limits" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive some funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter are responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the "-Financial Information" link.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the headings "The Budget" and "State Budget Condition."

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2018-19 State Budget

On June 27, 2018, the Governor signed the fiscal year 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $138.6 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.7 billion from the 2017-18 State budget. Of that $78.4 billion, approximately $61 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2018-19, two years earlier than originally scheduled, restoring every school district in the State to at least pre-recession funding levels, and including a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula.

The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, the 2018-19 State Budget adds two additional reserves to State law, the Budget Deficit Safety Account and the Safety Net Reserve Fund. Other significant features of the 2018-19 State Budget include:

- $640 million in Proposition 51 State bond authority for school facilities;

- an increase to $11,640 in State-funded per pupil funding under LCFF, or $16,352 per pupil from all State, federal and local sources combined;

- one-time funding for K-12 school districts to finance various programs, including $300 million for the lowest-performing student subgroups, $125 million to address the shortage of special education teachers, and $100 million to expand facilities for kindergarten and transitional kindergarten;

- $57.8 million for county offices of education to support school districts needing additional assistance, as determined based on multiple performance indicators, $4 million of which will go to geographical regional leads to build system-wide capacity to support school district improvement;

- $32.8 million to backfill property tax revenue losses that cities, counties and districts incurred in fiscal year 2017-18 and will incur in fiscal year 2018-19 from wildfires, mudslides and other natural disasters, $21.8 for Northern California jurisdictions and $11 million for Southern California jurisdictions;

- a hold harmless provision allowing local education agencies to recoup revenue that has been lost due to declines in average daily attendance that are directly associated with these disasters;

- $185.4 million to multiple state agencies for the first year of implementation of a $4 billion parks and water bond measure approved by voters in 2018; and

- one-time funding of $500 million of emergency aid to support local governments in addressing homelessness, to be used for emergency shelters, bridge housing, motel vouchers, and supportive housing.

2019-20 Proposed State Budget

On January 10, 2019, the Governor released the proposed State budget for fiscal year 2019-20 (the **"2019-20 Proposed Budget"**). The 2019-20 Proposed Budget projects general fund revenues in fiscal year 2018-19 of approximately $149.3 billion (including a prior year balance of approximately $12.4 billion) and expenditures of approximately $144.1 billion. For fiscal year 2019-20, the 2019-20 Proposed Budget projects general fund revenues of $147.9 billion (including a prior year transfer of approximately $5.2 billion) and authorizes expenditures of $144.2 billion. The 2019-20 Proposed Budget continues to build State reserves to manage the impacts of future economic downturns, with $2.3 billion in a Special Fund for Economic Uncertainties, $15.3 billion in the "Rainy Day Fund," and $900 million in a Safety Net Reserve Fund. The 2019-20 Proposed Budget notes that additional deposits to the Rainy Day Fund will be made in reliance on a recent opinion by the California Office of Legislative Counsel, which concluded that supplemental payments made in prior fiscal years do not count towards calculating the Rainy Day Fund's constitutional maximum of 10%, and projects bringing the Rainy Day Fund to $19.4 billion by 2022-23.

The 2019-20 Proposed Budget raises the Proposition 98 minimum funding guarantee for school districts and community college districts to $80.7 billion, a new all-time high, which includes $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% cost-of-living adjustment, and bringing total LFCC funding to $63 billion. To address the rising costs of STRS pensions, the 2019-20 Proposed Budget also includes a $3 billion one-time general fund payment to STRS on behalf of school districts, which is expected to provide immediate relief and reduce the out-year contribution rate by 0.5%. The 2019-20 Proposed State Budget also includes a $750 million one-time general fund payment of $576 million ($186 million is one-time) to support expanded special education services in school districts with a high concentration of special education students.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference. The Governor is required to release a revision to the proposed budget by May 14 of each year.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2018-19 State Budget, Proposed Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Series A Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Series A Bonds to provide State budget information to the District or the owners of the Series A Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budget. The complete 2018-19 State Budget and 2019-20 Proposed Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Series A Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series A Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series A Bonds. The tax levied by the County for payment of the Series A Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) 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 proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB (**“Article XIIIB”**) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (**“unitary property”**). Under the State Constitution, such property is assessed by the State Board of Equalization (**“SBE”**) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by 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.

Articles XIIIC and XIIID of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections , and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Series A Bonds.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as **"Proposition 30"**, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for head of household filers and over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for head of household filers and over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $680,000 for head of household filers and over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the

State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the end of 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

California Senate Bill 222

Senate Bill 222 (**"SB 222"**) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds, such as the Series A Bonds, as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under 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. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018

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MONTE RIO UNION SCHOOL DISTRICT
COUNTY OF SONOMA
MONTE RIO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

MONTE RIO UNION SCHOOL DISTRICT

JUNE 30, 2018

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Monte Rio Union School District
Monte Rio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Monte Rio Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Monte Rio Union School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis on pages 4 through 13, the budgetary comparison information on pages 49 and 50, the schedules of proportionate share of the net pension liability on pages 51 and 52, and the schedules of contributions on pages 53 and 54, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monte Rio Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of Monte Rio Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Monte Rio Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*s in considering Monte Rio Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

(PREPARED BY DISTRICT MANAGEMENT)

This section of Monte Rio Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3 and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

FINANCIAL HIGHLIGHTS

- The District's financial status declined during the course of the year as total net position decreased 2.97%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by $182,428.
- Capital assets, net of depreciation, decreased $61,313 due to the current year recognition of depreciation expense.
- Total long-term liabilities increased $152,148 due primarily to the current year net increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans, and the addition of a new capital lease used to finance the purchase of Benchmark educational products.
- The District's P-2 average daily attendance (ADA) did not change from the previous year, remaining at 85 ADA.
- The District's General Fund incurred an operating deficit of $138,099 during fiscal year 2017-18 and reported a $37,757 decrease in its available reserves.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, total General Fund expenditures and other financing uses totaled $1,729,824. At June 30, 2018, the District had available reserves of $908,379 in the General Fund, which represents a reserve of 52.5%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

    - Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.

    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

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

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

The major governmental funds of the Monte Rio Union School District are the General Fund, Cafeteria Fund, Capital Facilities Fund and Capital Projects - Special Reserve Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds:

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

Fiduciary Funds:

Fiduciary Funds include trust and agency funds, which are typically used by districts to maintain control over funds that are held for student scholarships or student body organizations. The District has no funds of this type.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

The District's total net position decreased from $6,134,472 at June 30, 2017, down to $5,952,044 at June 30, 2018, a decrease of 2.97%.

Comparative Statement of Net Position

	Governmental Activities	
	2017	2018
Assets		
Deposits and Investments	$ 1,281,936	$ 1,135,960
Receivables	43,156	49,777
Capital Assets, net	5,944,644	5,883,331
Total Assets	7,269,736	7,069,068
Deferred Outflows of Resources		
Pensions Deferrals	262,494	408,776
Liabilities		
Current	132,228	75,650
Long-term	1,158,470	1,296,105
Total Liabilities	1,290,698	1,371,755
Deferred Inflows of Resources		
Pension Deferrals	107,060	154,045
Net Position		
Investment in Capital Assets	5,944,644	5,846,254
Restricted	128,880	45,148
Unrestricted	60,948	60,642
Total Net Position	$ 6,134,472	$ 5,952,044

Table includes financial data of the combined governmental funds

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses exceeded total current year revenues by $182,428.

Comparative Statement of Changes in Net Position

	Governmental Activities	
	2017	2018
Program Revenues		
Charges for Services	$ 29,931	$ 39,378
Operating Grants & Contributions	228,946	256,896
General Revenues		
Taxes Levied	1,039,613	1,081,875
Federal & State Aid	253,362	203,022
Interest & Investment Earnings	11,971	16,318
Transfers	25,734	24,587
Miscellaneous	91,563	75,279
Total Revenues	1,681,120	1,697,355
Expenses		
Instruction	813,709	970,044
Instruction-Related Services	287,660	286,222
Pupil Services	196,454	215,110
General Administration	193,852	176,908
Plant Services	209,599	231,499
Total Expenses	1,701,274	1,879,783
Changes in Net Position	(20,154)	(182,428)
Net Position, Beginning	6,154,626	6,134,472
Net Position, Ending	$ 6,134,472	$ 5,952,044

Table includes financial data of the combined governmental funds

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

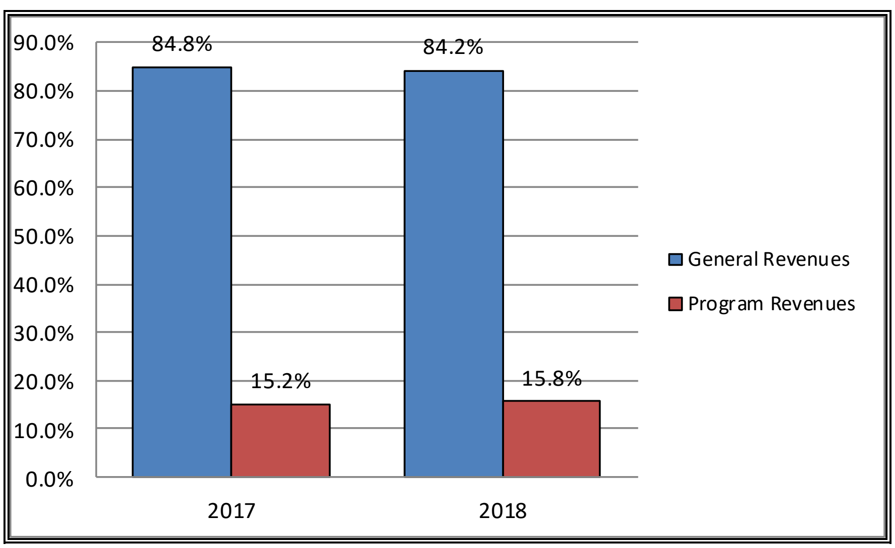
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost (Revenue) of Services	
	2017	2018	2017	2018
Instruction	$ 813,709	$ 970,044	$ 637,700	$ 780,102
Instruction-Related Services	287,660	286,222	276,432	277,066
Pupil Services	196,454	215,110	125,381	134,258
General Administration	193,852	176,908	193,852	176,908
Plant Services	209,599	231,499	209,032	215,175
Totals	$ 1,701,274	$ 1,879,783	$ 1,442,397	$ 1,583,509

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $1,583,509 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



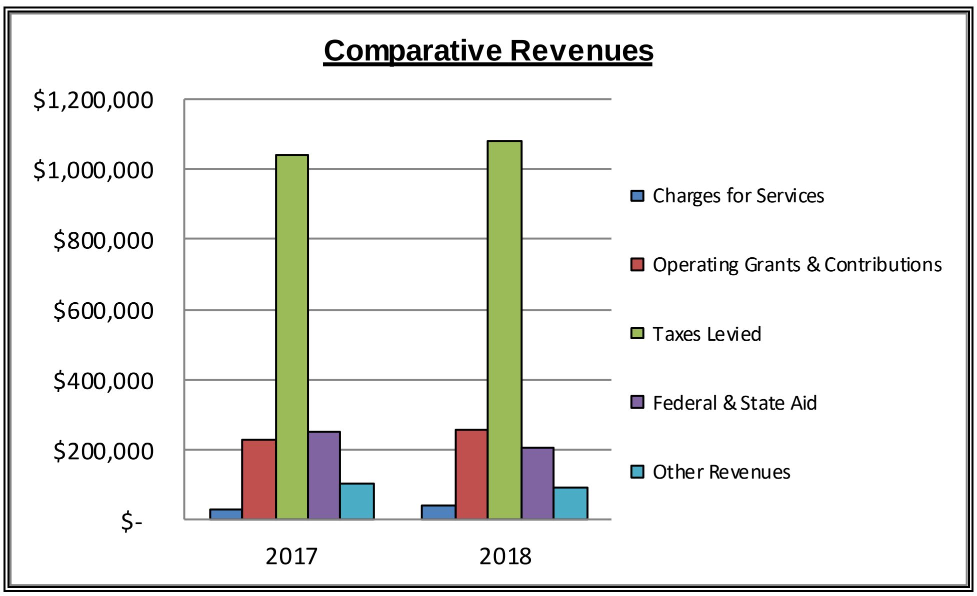
For fiscal year 2017-18, program revenues financed 15.8% of the total cost of providing the services listed above, while the remaining 84.2% was financed by the general revenues of the District.

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 29,931	1.78%	$ 39,378	2.32%
Operating Grants & Contributions	228,946	13.62%	256,896	15.14%
General Revenues				
Taxes Levied	1,039,613	61.84%	1,081,875	63.74%
Federal & State Aid	253,362	15.07%	203,022	11.96%
Other Revenues	129,268	7.69%	116,184	6.85%
Total Revenues	$ 1,681,120	100.00%	$ 1,697,355	100.00%



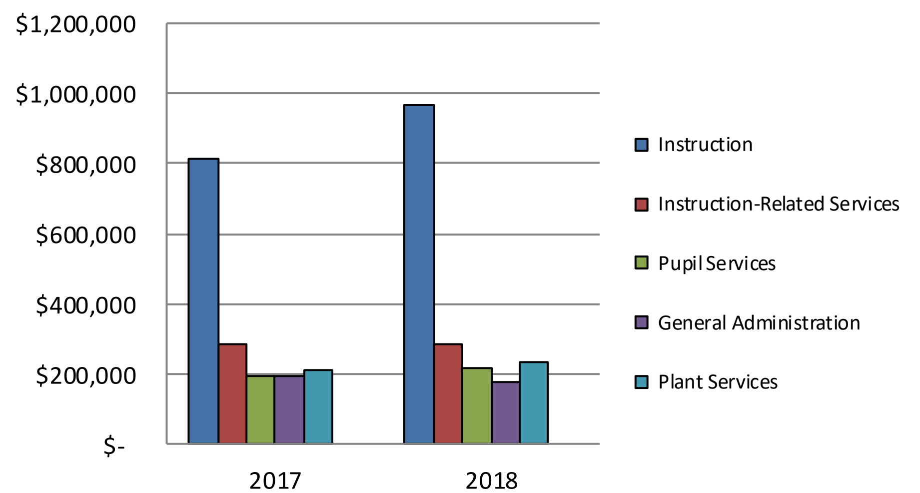
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Expenses For Governmental Functions

	FYE 2017 Amount	Percent of Total	FYE 2018 Amount	Percent of Total
Expenses				
Instruction	$ 813,709	47.83%	$ 970,044	51.60%
Instruction-Related Services	287,660	16.91%	286,222	15.23%
Pupil Services	196,454	11.55%	215,110	11.44%
General Administration	193,852	11.39%	176,908	9.41%
Plant Services	209,599	12.32%	231,499	12.32%
Total Expenses	$ 1,701,274	100.00%	$ 1,879,783	100.00%

Comparative Expenses



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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

Comparative Schedule of Capital Assets

	Governmental Activities	
	2017	2018
Land	$ 4,750,625	$ 4,750,625
Sites and Improvements	296,814	296,814
Buildings and Improvements	1,869,946	1,869,946
Furniture and Equipment	192,395	192,395
Subtotals	7,109,780	7,109,780
Less: Accumulated Depreciation	(1,165,136)	(1,226,449)
Capital Assets, net	$ 5,944,644	$ 5,883,331

Capital assets, net of depreciation, decreased $61,313 due to current year recognition of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2017	2018
Compensated Absences	$ 1,964	$ 5,226
Capital Lease	0	37,077
Net Pension Liability - CalSTRS	666,556	789,670
Net Pension Liability - CalPERS	491,914	480,609
Totals	$ 1,160,434	$ 1,312,582

Total long-term liabilities increased $152,148 due primarily to the current year increase in the District's net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances * June 30, 2017	Fund Balances June 30, 2018	Increase (Decrease)
General	$ 1,125,490	$ 987,391	$ (138,099)
Cafeteria	764	0	(764)
Capital Facilities	11,243	16,254	5,011
Capital Projects - Special Reserve	57,331	122,919	65,588
Totals	$ 1,194,828	1,126,564	(68,264)

* Prior year balances have been adjusted to reflect the reclassification of fund balance discussed in Note 13 of these financial statements.

The fund balance of the General Fund decreased $138,099 during fiscal year 2017-18, while the combined fund balances of all other funds increased $69,835.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its ninth year of expansion, lasting four years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession.

Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Monte Rio Union School District, 20700 Foothill Drive, Monte Rio, California 95462.

MONTE RIO UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets		
Deposits and Investments (Note 2)	$	1,135,960
Receivables (Note 3)		49,777
Capital Assets, Not Depreciated (Note 5)		4,750,625
Capital Assets, Net of Accumulated Depreciation		1,132,706
Total Assets		7,069,068
Deferred Outflows of Resources		
Pension Deferrals (Note 7)		408,776
Total Deferred Outflows of Resources		408,776
Liabilities		
Accounts Payable and Other Current Liabilities		59,081
Unearned Revenue (Note 1H)		92
Long-Term Liabilities:		
Portion Due or Payable Within One Year:		
Compensated Absences		5,226
Capital Leases		11,251
Portion Due or Payable After One Year:		
Capital Leases (Note 6)		25,826
Net Pension Liabilities (Note 7)		1,270,279
Total Liabilities		1,371,755
Deferred Inflows of Resources		
Pension Deferrals (Note 7)		154,045
Total Deferred Inflows of Resources		154,045
Net Position		
Net Investment in Capital Assets		5,846,254
Restricted:		
For Capital Projects		16,254
For Educational Programs		26,894
For Other Purposes		2,000
Unrestricted		60,642
Total Net Position	$	5,952,044

MONTE RIO UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental Activities					
Instruction	$ 970,044	$ 23,474	$ 166,468		$ (780,102)
Instruction-Related Services:					
Instructional Library and Technology	15,744				(15,744)
School Site Administration	270,478	34	9,122		(261,322)
Pupil Services:					
Home-to-School Transportation	96,446	7,573	34,735		(54,138)
Food Services	72,654	8,188	26,382		(38,084)
Other Pupil Services	46,010		3,974		(42,036)
General Administration:					
Other General Administration	176,908				(176,908)
Plant Services	231,499	109	16,215		(215,175)
Total Governmental Activities	$ 1,879,783	$ 39,378	$ 256,896	$ 0	(1,583,509)
General Revenues					
Taxes Levied for General Purposes					1,016,669
Taxes Levied for Specific Purposes					65,206
Federal and State Aid - Unrestricted					203,022
Interest and Investment Earnings					16,318
Transfers from Other Agencies					24,587
Miscellaneous					75,279
Total General Revenues					1,401,081
Change in Net Position					(182,428)
Net Position - July 1, 2017					6,134,472
Net Position - June 30, 2018					$ 5,952,044

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MONTE RIO UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Cafeteria	Capital Facilities	Capital Projects - Special Reserve	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 1,055,555	$ 7,728	$ 14,839	$ 57,838	$ 1,135,960
Receivables (Note 3)	48,362		1,415		49,777
Due from Other Funds (Note 4)	43,033	35,425		65,081	143,539
Total Assets	$ 1,146,950	$ 43,153	$ 16,254	$ 122,919	$ 1,329,276
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 58,961	$ 120			$ 59,081
Due to Other Funds (Note 4)	100,506	43,033			143,539
Unearned Revenue (Note 1H)	92				92
Total Liabilities	159,559	43,153			202,712
Fund Balances: (Note 10)					
Nonspendable	2,000				2,000
Restricted	26,894		$ 16,254		43,148
Assigned	50,118			$ 122,919	173,037
Unassigned	908,379				908,379
Total Fund Balances	987,391	0	16,254	122,919	1,126,564
Total Liabilities and Fund Balances	$ 1,146,950	$ 43,153	$ 16,254	$ 122,919	$ 1,329,276

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MONTE RIO UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Fund Balances - Governmental Funds		$ 1,126,564
Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:		
Capital Assets	$ 7,109,780	
Accumulated Depreciation	(1,226,449)	
Net		5,883,331
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Net deferred outflows and inflows are:		254,731
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	$ 5,226	
Capital Leases	37,077	
Net Pension Liability - CalSTRS	789,670	
Net Pension Liability - CalPERS	480,609	
Total		(1,312,582)
Total Net Position - Governmental Activities		$ 5,952,044

MONTE RIO UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Cafeteria	Capital Facilities	Capital Projects - Special Reserve	Total Governmental Funds
Revenues					
LCFF Sources:					
State Apportionment / Transfers	$ 172,806				$ 172,806
Local Taxes	1,016,669				1,016,669
Total LCFF Sources	1,189,475				1,189,475
Federal Revenue	23,769	$ 25,184			48,953
State Revenue	91,147	1,680			92,827
Local Revenue	287,334	8,167	$ 5,011	$ 65,588	366,100
Total Revenues	1,591,725	35,031	5,011	65,588	1,697,355
Expenditures					
Current:					
Instruction	925,433				925,433
Instructional Library and Technology	15,230				15,230
School Site Administration	259,696				259,696
Home-To-School Transportation	93,300				93,300
Food Services		70,284			70,284
Other Pupil Services	43,667				43,667
Other General Administration	171,138				171,138
Plant Services	223,012	936			223,948
Debt Service:					
Principal Retirement	17,688				17,688
Total Expenditures	1,749,164	71,220	0	0	1,820,384
Excess of Revenues Over (Under) Expenditures	(157,439)	(36,189)	5,011	65,588	(123,029)
Other Financing Sources (Uses)					
Operating Transfers In		35,425			35,425
Operating Transfers Out	(35,425)				(35,425)
Other Sources	54,765				54,765
Total Other Financing Sources (Uses)	19,340	35,425	0	0	54,765
Net Change in Fund Balances	(138,099)	(764)	5,011	65,588	(68,264)
Fund Balances - July 1, 2017 (As Reclassified - Note 13)	1,125,490	764	11,243	57,331	1,194,828
Fund Balances - June 30, 2018	$ 987,391	$ 0	$ 16,254	$ 122,919	$ 1,126,564

MONTE RIO UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds		$ (68,264)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlays	$ 0	
Depreciation Expense	(61,313)	
Net		(61,313)
In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned exceeded vacation used by:		(3,262)
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized as proceeds from debt in governmental funds was:		(54,765)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
Capital Lease	17,688	
		17,688
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(12,512)
Change in Net Position of Governmental Activities		$ (182,428)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Monte Rio Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Board of Education elected by registered voters of the District, which comprises an area in Sonoma County. The District serves students in kindergarten through grade eight.

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

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under GASB 61.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units.* In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The District has determined that there are no organizations, for which the District is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

C. Basis of Accounting

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California Districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

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

Expenses/Expenditures:

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Special Revenue Fund*s - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Capital Projects Fund*s - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District's accounts are organized into major funds as follows:

The *General Fund* is the general operating fund of the District.

The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeteria program.

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

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

E. Budgets and Budgetary Accounting

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Cafeteria Fund as required supplementary information on page 49 and 50.

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

F. Use of Estimates

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

G. 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.

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The District is authorized to maintain cash in banks and revolving funds that are insured to $250,000 by the Federal Depository Insurance Corporation (FDIC).

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

1. Deposits and Investments (Concluded)

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

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

2. Capital Assets

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

Asset Class	Years
Sites and Improvements	7-20
Buildings and Improvements	10-50
Furniture and Equipment	7-8

3. Deferred Outflows/Inflows of Resources

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

3 Deferred Outflows/Inflows of Resources (Concluded)

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

4 Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5 Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6 Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. In fund financial statements, the face amount of the obligation is reported as other financing sources.

7 Fund Balances

Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

7. Fund Balances (Concluded)

Nonspendable Fund Balance includes amounts that are not expected to be converted to cash, such as inventory, prepaid items, and other resources that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance includes amounts constrained to specific purposes by their providers or by law.

Committed Fund Balance includes amounts constrained to specific purposes by the District's highest level of decision-making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance includes amounts which the Governing Board or its designee intends to use for a specific purpose, but are neither restricted nor committed, should be reported as assigned fund balance. The Governing Board delegates the authority to assign amounts to be used for specific purposes to the Business Manager for the purpose of reporting these amounts in the annual financial statements.

The District established a minimum fund balance policy which requires a reserve for economic uncertainties, consisting of unassigned amounts of not less than 18% of budgeted general fund operating expenditures and other financing uses. In the event that the balance drops below the established minimum level, it shall be recovered at a rate of 1% minimally, each year.

The District considers restricted fund balances to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

8. Local Control Funding Formula (LCFF)/Property Tax

The LCFF creates funding targets based on student characteristics and provides greater flexibility to use these funds to improve student outcomes. For school districts, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors. District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

8. Local Control Funding Formula (LCFF)/Property Tax (Concluded)

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

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

The County Auditor reports the amount of the District’s allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District’s LCFF entitlement by the District’s local property tax revenue. Any balance remaining is paid from the State General Fund and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a “basic aid” school district and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion $120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

	Governmental Activities
Cash in Revolving Fund	$ 2,000
County Pool Investments	1,133,960
Total Deposits and Investments	$ 1,135,960

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consist of District cash held by the Sonoma County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	$ 1,133,960	$ 1,124,775	533

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Carrying Value	Fair Value	Rating at June 30, 2018
County Pool Investments	$ 1,133,960	$ 1,124,775	Unrated

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District does not have a bank balance that is exposed to custodial credit risk.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Uncategorized
County Pool Investments	$ 1,124,775	$ 1,124,775

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 - RECEIVABLES

Receivables of the General Fund at June 30, 2018 consist of the following:

	General Fund	Capital Facilities Fund	Totals
Federal Government	$ 12,985	$	$ 12,985
State Government	5,005		5,005
Local Governments	10,000		10,000
Miscellaneous	20,372	1,415	21,787
Totals	$ 48,362	$ 1,415	$ 49,777

NOTE 4 - INTERFUND ACTIVITIES

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2018 are as follows:

Funds	Interfund Receivables	Interfund Payables
General	$ 43,033	$ 100,506
Cafeteria	35,425	43,033
Capital Projects - Special Reserve	65,081	
Totals	$ 143,539	$ 143,539

All interfund receivables and payables are scheduled to be paid within one year.

B. Interfund Transfers

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

Interfund transfers for fiscal year 2017-18 were as follows:

Funds	Transfers In	Transfers Out
General		$ 35,425
Cafeteria	$ 35,425	
Totals	$ 35,425	$ 35,425

Transfer of $35,425 from General Fund to Cafeteria Fund to supplement the child nutrition program.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, is shown below:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 4,750,625	$ 0	$ 0	$ 4,750,625
Capital Assets Being Depreciated:				
Sites and Improvements	296,814	-	-	296,814
Buildings and Improvements	1,869,946	-	-	1,869,946
Furniture and Equipment	192,395	-	-	192,395
Total Capital Assets Being Depreciated	2,359,155	0	0	2,359,155
Less Accumulated Depreciation:				
Sites and Improvements	218,939	4,962	-	223,901
Buildings and Improvements	776,351	42,745	-	819,096
Furniture and Equipment	169,846	13,606	-	183,452
Total Accumulated Depreciation	1,165,136	61,313	0	1,226,449
Total Capital Assets Being Depreciated, Net	1,194,019	(61,313)	0	1,132,706
Governmental Activities Capital Assets, Net	$ 5,944,644	$ (61,313)	$ 0	$ 5,883,331

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 31,639
Instruction-Related Services	9,336
Pupil Services	7,017
General Administration	5,770
Plant Services	7,551
Total	$ 61,313

NOTE 6 - CAPITAL LEASE

The District entered into a lease-purchase agreement for educational products valued at $54,765. The agreement provides for title to pass upon expiration of the lease period. Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2019	$ 12,606
2020	13,110
2021	14,159
Total future payments	39,875
Less amounts representing interest	(2,799)
Present value of net minimum lease payments	$ 37,077

The District will receive no sublease rental revenues nor pay any contingent rentals.

NOTE 7 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expenses in the accompanying government-wide financial statements, as follows:

Pension Plan	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expenses
CalSTRS	$ 789,670	$ 248,513	$ 58,022	$ 119,136
CalPERS	480,609	160,263	96,023	38,067
Totals	$ 1,270,279	$ 408,776	$ 154,045	$ 157,203

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public-school teachers and certain other employees of the public-school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, the member contribution rate was 9.205% of applicable member earnings for fiscal year 2017-18.

Employers: Pursuant to Chapter 47, Statutes of 2014 (AB 1469), the employer contribution rate was 14.43% of applicable member earnings for fiscal year 2017-18. The District contributed $64,104 to the plan for the fiscal year ended June 30, 2018.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2018 was 4.811%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.328% for the fiscal year ended June 30, 2018.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability associated with the District was as follows:

District's proportionate share of the net pension liability	$ 789,670
State's proportionate share of the net pension liability associated with the District	467,162
Total net pension liability attributed to District	$ 1,256,832

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Proportion - June 30, 2017	0.0009%
Proportion - June 30, 2016	0.0008%
Change - Increase (Decrease)	0.0001%

For the fiscal year ended June 30, 2018, the District recognized pension expense of $119,136, which includes $37,988 of support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 64,104	
Differences between expected and actual experience	2,922	$ 13,067
Changes of assumptions	146,292	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	35,195	20,384
Net differences between projected and actual earnings on plan investments		24,571
Totals	$ 248,513	$ 58,022

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	$ 4,506
2020	35,023
2021	24,494
2022	4,618
2023	29,887
2024	27,859

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2017. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions [1,2]:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return [3]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

[1] For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.

[2] The assumptions for investment rate of return, inflation, and wage growth used in the June 30, 2016, financial reporting actuarial valuation were 7.60%, 3.00% and 3.75%, respectively.

[3] Net of investment expenses, but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base morality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. The CalSTRS July 1, 2010 - June 30, 2015 Experience Analysis, adopted by the board in February 2017, is available on the CalSTRS website for more information regarding the mortality assumptions.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return / Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	100%	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	$ 1,159,486	$ 789,670	$ 489,539

Pension Plan's Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

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 the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 6.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 15.531% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2018 was $42,599

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported a liability of $480,609 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016 was as follows:

Proportion - June 30, 2017	0.0020%
Proportion - June 30, 2016	0.0025%
Change - Increase (Decrease)	-0.0005%

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For the fiscal year ended June 30, 2018, the District recognized pension expense of $38,067. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 42,599	
Differences between expected and actual experience	20,705	
Changes of assumptions	70,200	$ 8,269
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		87,754
Net differences between projected and actual earnings on plan investments	26,759	
Totals	$ 160,263	$ 96,023

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	$ (14,083)
2020	27,573
2021	17,255
2022	(9,104)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2017. Differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

Mortality rate table used was developed based on CalPERS specific data. The table includes 20 years of projected on-going mortality improvements using Scale BB published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. Projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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

Discount Rate (Concluded)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate. These geometric rates of return are net of administrative and investment expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

NOTE 7 - RETIREMENT PLANS (CONCLUDED)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Concluded)

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	$ 707,129	$ 480,609	$ 292,691

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

C. Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 8 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient $37,988 of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education.

NOTE 9 - LONG-TERM LIABILITIES

	Balances July 1, 2017	Additions	Deductions	Balances June 30, 2018	Due within One Year
Compensated Absences	$ 1,964	$ 5,226	1,964	$ 5,226	$ 5,226
Capital Leases	0	54,765	17,688	37,077	11,251
Net Pension Liability - CalSTRS	666,556	123,114		789,670	
Net Pension Liability - CalPERS	491,914	(11,305)		480,609	
Totals	$ 1,160,434	$ 171,800	$ 19,652	$ 1,312,582	$ 16,477

All long-term liabilities are primarily obligations of the General Fund.

NOTE 10 - FUND BALANCES

The District's fund balances at June 30, 2018 consisted of the following:

	General Fund	Capital Facilities Fund	Capital Projects - Special Reserve Fund	Total
Nonspendable:				
Revolving Cash	$ 2,000			$ 2,000
Restricted:				
Categorical Programs	8,041			8,041
Local Programs	18,853			18,853
Developer Fees		$ 16,254		16,254
Total Restricted	26,894	16,254		43,148
Assigned:				
Deferred Maintenance	50,118			50,118
Capital Projects			$ 122,919	122,919
Total Assigned	50,118	0	122,919	173,037
Unassigned:				
Reserve for Economic Uncertainties	309,010			309,010
Remaining Unassigned Balance	599,369			599,369
Total Unassigned	908,379	0	0	908,379
Total Fund Balances	$ 987,391	$ 16,254	$ 122,919	$ 1,126,564

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017-18, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 12 - JOINT VENTURE

The District participates in one joint venture under a joint powers agreement (JPA) with the Redwood Empire Schools' Insurance Group (RESIG) for property & liability, workers' compensation, medical and dental insurance coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of their 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 pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

NOTE 13 - RECLASSIFICATION OF FUND BALANCES

The beginning fund balances of the General Fund and the Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with Governmental Accounting Standards Board, Statement No. 54 (GASB 54).

The effect of the reclassification on the current year financial statements is as follows:

	General Fund	Deferred Maintenance Fund
Fund Balances - July 1, 2017 (as originally stated)	$ 1,063,009	$ 62,481
Reclassification of Fund Balances	62,481	(62,481)
Fund Balances - July 1, 2017 (as reclassified)	$ 1,125,490	$ 0

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 15 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 7, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements, except as discussed below:

Measure J

On November 6, 2018, the voters of Monte Rio Union School District voted to authorize the issuance and sale of up to $3.3 million of general obligation bonds to improve the quality of education by replacing outdated heating and ventilation systems; repair or replace leaky roofs; and modernize outdated classrooms, restrooms and school facilities.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

MONTE RIO UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
LCFF Sources:				
State Apportionment / Transfers	$ 145,990	$ 172,596	$ 172,806	$ 210
Local Sources	966,462	966,462	1,016,669	50,207
Total LCFF Sources	1,112,452	1,139,058	1,189,475	50,417
Federal Revenue	16,299	20,339	23,769	3,430
Other State Revenue	47,267	77,572	91,147	13,575
Other Local Revenue	191,898	241,614	287,334	45,720
Total Revenues	1,367,916	1,478,583	1,591,725	113,142
Expenditures				
Current:				
Certificated Salaries	522,729	530,011	530,011	
Classified Salaries	239,489	295,462	295,462	
Employee Benefits	288,738	305,514	305,514	
Books and Supplies	114,053	136,672	136,671	1
Services and Other Operating Expenditures	413,967	484,340	463,818	20,522
Debt Service:				
Principal Retirement	17,688	17,688	17,688	
Total Expenditures	1,596,664	1,769,687	1,749,164	20,523
Excess of Revenues (Under) Expenditures	(228,748)	(291,104)	(157,439)	133,665
Other Financing Sources (Uses)				
Operating Transfers Out	(32,000)	(33,200)	(35,425)	(2,225)
Other Sources	54,765	54,765	54,765	
Total Other Financing Sources (Uses)	22,765	21,565	19,340	(2,225)
Net Change in Fund Balances	(205,983)	(269,539)	(138,099)	$ 131,440
Fund Balances - July 1, 2017	1,125,490	1,125,490	1,125,490	
Fund Balances - June 30, 2018	$ 919,507	$ 855,951	$ 987,391	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MONTE RIO UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAFETERIA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Federal Revenue	$ 24,500	$ 24,500	$ 25,184	$ 684
Other State Revenue	1,850	1,850	1,680	(170)
Other Local Revenue	7,000	7,000	8,167	1,167
Total Revenues	33,350	33,350	35,031	1,681
Expenditures				
Current:				
Classified Salaries	32,845	36,588	36,588	
Employee Benefits	13,429	14,285	14,285	
Food and Supplies	18,412	18,412	17,946	466
Services and Other Operating Expenditures	2,525	2,525	2,401	124
Total Expenditures	67,211	71,810	71,220	590
Excess of Revenues (Under) Expenditures	(33,861)	(38,460)	(36,189)	2,271
Other Financing Sources				
Operating Transfers In	32,000	33,200	35,425	2,225
Net Change in Fund Balances	(1,861)	(5,260)	(764)	$ 4,496
Fund Balances - July 1, 2017	764	764	764	
Fund Balances - June 30, 2018	$ (1,097)	$ (4,496)	$ 0	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS *

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0009%	$ 789,670	$ 467,162	$ 1,256,831	$ 452,552	174.49%	69.46%
2017	0.0008%	666,556	379,458	1,046,014	410,718	162.29%	70.04%
2016	0.0008%	534,574	282,731	817,305	368,547	145.05%	74.02%
2015	0.0008%	495,731	299,344	795,075	377,842	131.20%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS *

JUNE 30, 2018

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2018	0.0020%	$ 480,609	$ 256,725	187.21%	71.87%
2017	0.0025%	491,914	298,810	164.62%	73.90%
2016	0.0027%	400,309	300,663	133.14%	79.43%
2015	0.0030%	342,967	317,139	108.14%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	$ 64,104	$ 64,104	$ -	$ 444,241	14.43%
2017	55,116	55,116	-	438,124	12.58%
2016	45,983	45,983	-	428,546	10.73%
2015	36,587	36,587	-	412,016	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	District's Covered Payroll	Contributions As a % of Covered Payroll
2018	$ 42,599	$ 42,599	$ -	$ 274,284	15.531%
2017	35,645	35,645	-	256,660	13.888%
2016	35,416	35,416	-	298,945	11.847%
2015	35,492	35,492	-	301,521	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There was no excess of expenditures over appropriations in the General Fund or Cafeteria Fund as of June 30, 2018.

B. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

C. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS (CONCLUDED)

Changes in Assumptions

During fiscal year 2016-17, CalSTRS completed an experience study for the period starting July 1, 2010 and ending on June 30, 2015. CalSTRS changed its mortality assumptions based on this experience study, which was adopted by the board in February 2017. As a result of the study, CalSTRS also changed the following assumptions used in determining the NPL as follows:

Assumption	As of June 30, 2017	As of June 30, 2016
Consumer Price Inflation	2.75%	3.00%
Investment Rate of Return	7.10%	7.60%
Wage Growth	3.50%	3.75%

During fiscal year 2016-17, CalPERS changed the financial reporting discount rate from 7.65% to 7.15%.

SUPPLEMENTARY INFORMATION SECTION

MONTE RIO UNION SCHOOL DISTRICT

ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

ORGANIZATION

The District is in Monte Rio, California. There was no change in District boundaries during the year. The District currently operates one elementary school.

BOARD OF EDUCATION

Name	Office	Term Expires
Roger Collins	President	November 2018
Mary Cowen Baker	Clerk	November 2020
Dina Fazio	Member	November 2018
Noelani Price	Member	November 2020
Jesse Stearn	Member	November 2018

ADMINISTRATION

Ross Bickford
Superintendent/Principal

Onie Garcia
Business Manager

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	P-2 Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	41.15	32.56	10.25	83.96
Special Education - Nonpublic		0.80		0.80
Extended Year - Nonpublic		0.09		0.09
Totals	41.15	33.45	10.25	84.85

	Annual Report			
	TK / K - 3	4 - 6	7 - 8	Total
Regular	41.26	32.79	10.09	84.14
Special Education - Nonpublic		0.84		0.84
Community Day School		0.09		0.09
Totals	41.26	33.72	10.09	85.07

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Required	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	51,205	180	N/A	In Compliance
Grade 1	50,400	51,205	180	N/A	In Compliance
Grade 2	50,400	51,205	180	N/A	In Compliance
Grade 3	50,400	51,205	180	N/A	In Compliance
Grade 4	54,000	55,345	180	N/A	In Compliance
Grade 5	54,000	55,345	180	N/A	In Compliance
Grade 6	54,000	55,345	180	N/A	In Compliance
Grade 7	54,000	55,345	180	N/A	In Compliance
Grade 8	54,000	55,345	180	N/A	In Compliance

MONTE RIO UNION SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue - Special Reserve Fund	Deferred Maintenance Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances	$ 628,262	$ 309,010	$ 50,118
Reclassification of Fund Balance	359,129	(309,010)	(50,118)
June 30, 2018 Audited Financial Statements Fund Balances	$ 987,391	$ 0	$ 0

Auditor's Comments

The fund balances of the General Fund, Special Revenue-Special Reserve Fund and Deferred Maintenance Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2018.

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL FUND			
	(Budget) 2018-19	2017-18	2016-17 *	2015-16 *
Revenues and Other Financial Sources	$ 1,412,957	$ 1,591,725	$ 1,584,108	$ 1,615,421
Expenditures	1,496,303	1,694,399	1,510,085	1,367,127
Other Uses and Transfers Out	37,507	35,425	28,000	25,000
Total Outgo	1,533,810	1,729,824	1,538,085	1,392,127
Change in Fund Balance	(120,853)	(138,099)	46,023	223,294
Ending Fund Balance	$ 866,538	$ 987,391	$ 1,125,490	$ 1,079,467
Available Reserves	$ 676,955	$ 908,379	$ 946,136	$ 869,091
Reserve for Economic Uncertainties **	$ 309,010	$ 309,010	$ 271,525	$ 310,646
Available Reserves as a Percentage of Total Outgo	44.1%	52.5%	61.5%	62.4%
Average Daily Attendance at P-2	85	85	85	79
Total Long-Term Liabilities	$ 1,296,105	$ 1,312,582	$ 1,160,434	$ 934,883

* Prior year balances have been revised to reflect the restatement discussed in Note 13 of these financial statements.

** Reported balances are a component of available reserves.

The fund balance of the General Fund decreased $92,076 (8.5%) over the past two years. The fiscal year 2018-19 budget projects a decrease of $120,853 (12.2%). For a district this size, the state recommends minimum reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District incurred an operating deficit of $138,099 during fiscal year 2017-18, and produced operating surpluses of $223,294 and $46,023 during fiscal years 2015-16 and 2016-17, respectively.

Average daily attendance (ADA) increased 6 ADA over the past two years. The District's budget projects no change in ADA during fiscal year 2018-19.

Total long-term liabilities increased $377,699 over the past two years.

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Combining Statements

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

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

The District participated in the Longer Day incentive funding program for the current fiscal year but did not meet its LCFF target funding. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

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

This schedule provides the information necessary to reconcile the fund balances of all funds reported in the Annual Financial and Budget Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR’S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Monte Rio Union School District
Monte Rio, California

Report on State Compliance

We have audited Monte Rio Union School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. 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 *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Monte Rio Union 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 Monte Rio Union School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine Monte Rio Union School District's compliance with state laws and regulations applicable to the following items:

P.O. Box 2196 / Folsom, CA 95763 / Phone (916) 966-3883 / Fax (916) 966-3815

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

Opinion on State Compliance

In our opinion, Monte Rio Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Findings 2018-001**. Our opinion on state compliance on the programs previously identified is not modified with respect to these matters.

District's Response to Finding

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

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

Board of Education
Monte Rio Union School District
Monte Rio, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Monte Rio Union School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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.*

<u>Purpose of this Report</u>

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 7, 2018

FINDINGS AND QUESTIONED COSTS SECTION

MONTE RIO UNION SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	____ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

State Awards

Any audit findings required tobe be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*?	X Yes	____ No
Type of auditor's report issued on compliance for state programs:	Unmodified	

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no matters to report for fiscal year ended June 30, 2018.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018 - 001 / 70000

INSTRUCTIONAL MATERIALS

Criteria: In accordance with Education Code Section 60119, a governing board shall hold a public hearing, on or before the end of the eighth week of school, and shall make a determination, through a resolution, as to whether each pupil in each school in the district has sufficient textbooks or instructional materials, or both, that are aligned to the content standards adopted pursuant to Section 60605 or 60605.8 in each of the following subjects, as appropriate, that are consistent with the content and cycles of the curriculum framework adopted by the state board in mathematics, science, history-social science, and English/language arts, including the English language development component of an adopted program.

Condition: The required public hearing was not held during the first eight weeks of school.

Questioned Costs: None.

Context: The required public hearing was held on December 17, 2017.

Effect: The District did not comply with the requirements of Education Code Section 60119.

Cause: The required public hearing was postponed beyond the eight-week period due to the unprecedented forest fires in Sonoma County.

Recommendation: The District should consider scheduling the required public hearing at an earlier date to provide additional flexibility if unforeseen circumstances arise that require the public hearing to be postponed.

District Response: The District has reviewed the finding with our administrative team. The District has implemented procedures to ensure that the required public meeting will be scheduled for an earlier date to provide flexibility for any unforeseen circumstances beyond our control that may occur in the future.

Recommendations	Current Status	Explanation If Not Fully Implemented
FINANCIAL STATEMENTS		
2017 - 001 / 30000		
SIGNIFICANT DEFICIENCY		
PAYROLL - AUTHORIZATION		
The District should actively enforce procedures to ensure that all payroll transactions are properly supported by appropriate documentation.	Implemented	
2017 - 002 / 30000		
SIGNIFICANT DEFICIENCY		
PAYROLL - TIMESHEETS		
The District should actively enforce procedures that require supervisors to review and sign all employee timesheets prior to submitting them to payroll for processing.	Implemented	
2017 - 003 / 30000		
SIGNIFICANT DEFICIENCY		
REIMBURSEMENT CLAIMS		
The District should actively enforce procedures that require employee reimbursement claims be supported by detailed invoices or receipts that properly identify all items or services purchased.	Implemented	

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR SONOMA COUNTY

The following information concerning the community of Monte Rio and Sonoma County is included only for the purpose of supplying general information regarding the vicinity of the District. The Bonds are not a debt of the community of Monte Rio, the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General

Monte Rio. The community of Monte Rio is an unincorporated town, located on the Russian River in the central portion of Sonoma County (the "**County**"). Monte Rio is located along State Route 116. The area became popular with wealthy vacationers from San Francisco in the late 19th century and musicians attracted a steady flow of tourists in the mid-1950s. Monte Rio remains a popular vacation destination and has numerous river-front vacation rentals. Monte Rio is known for its natural beauty, historic downtown, and proximity to wine-tasting and redwood forests.

The County. One of California's original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles.

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

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Population

The historic population estimates of the towns and cities that are in the County, as of January 1 of the past five years are shown in the following table:

COUNTY OF SONOMA
Population

	2014	2015	2016	2017	2018
Cloverdale	8,774	8,893	8,927	8,988	9,134
Cotati	7,320	7,371	7,376	7,453	7,716
Healdsburg	11,540	11,707	11,734	11,757	12,061
Petaluma	60,076	60,953	61,488	61,657	62,708
Rohnert Park	41,689	42,325	42,586	42,490	43,598
Santa Rosa	173,611	175,693	176,937	178,064	178,488
Sebastopol	7,521	7,593	7,609	7,624	7,786
Sonoma	10,785	10,906	10,929	11,072	11,390
Windsor	27,077	27,364	27,445	27,492	28,060
Unincorporated	147,471	147,278	147,444	148,016	142,391
County Total	495,864	500,083	502,475	504,613	503,332

Source: California State Department of Finance, Demographic Research Unit

Employment and Industry

Monte Rio is included in the Santa Rosa Metropolitan Statistical Area ("**MSA**"), which consists of the County. The unemployment rate in Sonoma County was 2.5% in November 2018, unchanged from a revised 2.5% in October 2018, and below the year-ago estimate of 3.0%. This compares with an unadjusted unemployment rate of 3.9% for California and 3.5% for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2013 through 2017.

SANTA ROSA MSA
(Sonoma County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2017 Benchmark)

	2013	2014	2015	2016	2017
Civilian Labor Force (1)	250,000	256,700	258,400	260,100	262,900
Employment	232,200	242,300	246,800	249,800	254,000
Unemployment	17,800	14,400	11,600	10,400	8,900
Unemployment Rate	7.1%	5.6%	4.5%	4.0%	3.4%
Wage and Salary Employment (2)	6,300	6,100	6,000	6,100	6,300
Agriculture	200	300	200	200	200
Mining and Logging	9,900	10,500	11,600	12,400	13,100
Construction	20,100	20,700	22,000	22,700	23,100
Manufacturing	7,400	7,500	7,500	7,700	7,600
Wholesale Trade	23,700	24,300	24,700	25,000	25,300
Retail Trade	2,600	2,700	2,700	2,700	2,700
Information	4,100	4,300	4,300	4,200	4,000
Transportation, Warehousing and Utilities	4,700	4,800	5,000	5,200	5,100
Finance and Insurance	19,300	20,100	20,400	20,700	21,500
Professional and Business Services	28,700	31,200	32,100	33,000	34,300
Educational and Health Services	22,800	23,800	24,600	25,300	25,700
Leisure and Hospitality	6,600	6,800	7,000	7,200	7,300
Other Services	1,400	1,300	1,300	1,300	1,400
Federal Government	4,600	5,000	5,100	5,000	4,800
State Government	22,900	24,900	25,400	26,000	26,500
Local Government	187,900	197,100	202,800	207,800	212,100
Total, All Industries (3)	250,000	256,700	258,400	260,100	262,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following table lists the largest employers within the County, in alphabetical order.

COUNTY OF SONOMA
Major Employers
(As of January 2019)

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Calix Inc	Petaluma	Communications Services NEC
Clover Stornetta Farms Inc	Petaluma	Dry Condensed/Evprtd Dairy Prod (mfrs)
Enphase Energy Inc	Petaluma	Semiconductors & Related Devices (mfrs)
Flex Products	Santa Rosa	Coatings-Vacuum Deposition (mfrs)
Ghilotti Construction Co	Santa Rosa	Excavating Contractors
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
Korbel Champagne Cellars	Monte Rio	Wineries (mfrs)
Macy's	Santa Rosa	Department Stores
Medtronic Cardiovascular	Santa Rosa	Surgical Instruments-Manufacturers
Petaluma City Passports	Petaluma	Government Offices-City, Village & Twp
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1 LLC	Cotati	Transportation Services
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Sante At the Fairmont Sonoma	Sonoma	Hotels & Motels
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Sonoma Developmental Ctr	Eldridge	Hospitals
Sonoma Valley Hospital	Sonoma	Hospitals
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-Transportation Prgrms
Walmart	Windsor	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

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Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income and median household income for Monte Rio, the County, the State of California and the United States for the period 2015 through 2019.

COUNTY OF SONOMA
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	Monte Rio	$32,225	$40,309
	Sonoma County	13,365,133	53,069
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	Monte Rio	$30,840	$37,419
	Sonoma County	14,241,130	56,067
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Monte Rio	$33,087	$40,625
	Sonoma County	15,518,066	60,353
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Monte Rio	$41,383	$43,036
	Sonoma County	16,179,391	62,413
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Monte Rio	$49,218	$49,550
	Sonoma County	17,456,950	68,021
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

Commercial Activity

Summaries of historic taxable sales within the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar years 2017 or 2018.

Total taxable sales during the first three quarters of calendar year 2017 in the County were reported to be $6,907,405,612, a 3.86% decrease over the total taxable sales of $6,641,070,634 reported during the first three quarters of calendar year 2016.

SONOMA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	11,105	$5,228,062	17,311	$7,382,997
2013	11,586	5,618,188	17,788	8,017,882
2014	11,881	5,931,984	18,179	8,467,551
2015(1)	8,999	6,104,395	19,916	8,704,969
2016	7,295	5,667,430	11,236	8,671,625

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State of California, Board of Equalization.

Construction Activity

The following table shows a five-year summary of the valuation of building permits issued in the County.

SONOMA COUNTY
Total Building Permit Valuations
(Dollars in Thousands)
2013 through 2017

	2013	**2014**	**2015**	**2016**	**2017**
Permit Valuation					
New Single-family	$91,419.1	$69,788.4	$65,968.4	$112,941.1	$202,169.1
New Multi-family	51,210.7	91,806.3	27,797.3	26,149.2	46,674.0
Res. Alterations/Additions	59,124.5	64,228.0	78,005.1	71,079.1	97,326.9
Total Residential	201,754.3	225,822.7	171,770.8	210,169.4	346,170.0
New Commercial	60,889.7	55,718.9	53,975.7	93,462.5	79,737.8
New Industrial	0.0	0.0	2,484.9	156.4	759.6
New Other	9,776.3	8,657.2	16,513.4	19,255.1	25.572.7
Com. Alterations/Additions	55,293.2	70,889.7	84,641.9	79,943.6	99.102.9
Total Nonresidential	125,959.2	135,265.8	157,615.9	192,817.6	205,173.0
New Dwelling Units					
Single Family	295	292	236	560	881
Multiple Family	732	214	206	264	351
TOTAL	1,027	506	442	824	1,232

Source: Construction Industry Research Board, Building Permit Summary.

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Transportation

All modes of commercial transportation are available in the County. The Petaluma River is capable of handling water barge freight from the San Francisco Bay to Petaluma. Northwestern Pacific Railroad provides rail transportation with the County with connections to major rail interchanges. The Sonoma County Airport, located just outside the City of Santa Rosa, handles commercial and private air traffic, with several airlines providing regional air transportation. Seven private airfields serve the County as well. In addition, highways dissect the County; the major freeway is U.S. Highway 101 which runs from Marin and San Francisco Counties in the south to Mendocino County in the north. State Highway 12 is the major east-west thoroughfare from Bodega Bay on the western coastline to Sonoma on the east.

Education

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 71,000 students attend the 179 public schools that are located in Sonoma County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-six of Sonoma County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and eleven have been recognized as National Blue Ribbon Schools.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

LETTERHEAD OF JONES HALL APLC

February 13, 2019

Governing Board
Monte Rio Union Elementary School District
2700 Foothill Drive
Monte Rio, California 95462

OPINION: $3,300,000 Monte Rio Union Elementary School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series A (Bank Qualified)

Members of the Governing Board:

We have acted as bond counsel to the Monte Rio Union Elementary School District (the "District") in connection with the issuance by the Governing Board of the District (the "Board") of the $3,300,000 principal amount of Monte Rio Union Elementary School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series A (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board adopted on December 13, 2018 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Sonoma is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds 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.

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.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$3,300,000
MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series A
(Bank Qualified)

Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Monte Rio Union Elementary School District (the "District") in connection with the issuance of $3,300,000 aggregate principal amount of Monte Rio Union Elementary School District School District (County of Sonoma, California) General Obligation Bonds, Election of 2018, Series A (the "Bonds"). The Bonds are being issued under a resolution adopted by the Governing Board of the District on December 13, 2018 (the "Bond Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means RBC Capital Markets, LLC, as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means 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.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District’s fiscal year, commencing no later than March 31, 2020 with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information with respect to the most recently completed fiscal year or, if available at the time of filing, the then-current fiscal year:

(i) total assessed value of taxable property in the District;

(ii) the top twenty secured property taxpayers and their respective secured property assessed values;

(ii) property tax levies, collections and delinquencies, but only if the District's general obligation bond collections are not included on the County's Teeter Plan; and

(iii) the District's most recently approved Budget or interim report, which is available at the time of filing the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

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

(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) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed 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 MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: February 13, 2019

MONTE RIO UNION ELEMENTARY SCHOOL DISTRICT

By: ________________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Monte Rio Union Elementary School District
Name of Bond Issue:	$3,300,000 aggregate principal amount of Monte Rio Union Elementary School District (County of Sonoma, California) General Obligation Bonds, Election of 2018, Series A (Bank Qualified)
Date of Issuance:	February 13, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 15 of the resolution adopted by the Governing Board of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_____________

DISSEMINATION AGENT

By: ______________________________
Authorized Officer

Cc: Monte Rio Union Elementary School District

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APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Series A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series A Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest 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. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from 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 nor its nominee, Paying Agent, or 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 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.

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

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

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

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APPENDIX G

SONOMA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

Effective 01-09-18

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COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Sonoma:

1. POLICY STATEMENT

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund (Pooled Investment Fund). Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

2. STANDARDS OF CARE

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer, employees involved in the investment process and the members of the Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the Policy.

3. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

[a] **SAFETY OF CAPITAL** - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

[b] **LIQUIDITY** - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.

[c] **MAXIMUM RATE OF RETURN** - As the third objective, the Pooled Investment

Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

4. IMPLEMENTATION

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has provided the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. PARTICIPANTS

[a] **STATUTORY PARTICIPANTS -** General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.

[b] **VOLUNTARY PARTICIPANTS -** Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must approve in writing the Pooled Investment Fund as an authorized investment and accept the County of Sonoma Investment Policy.

6. AUTHORIZED PERSONS

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Auditor-Controller-Treasurer-Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Auditor-Controller-Treasurer-Tax Collector. The Treasury Manager or the Investment and Debt Officer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting as a trustee in a like capacity and familiarity would use in the conduct of funds of a like character, and with like aims, to safeguard the principal and maintain the liquidity needs of depositors.

7. AUTHORIZED INVESTMENTS

Authorized investments shall match the general categories established by the California Government Code Section 53635, et. seq., and further defined by California Government Code Section 53601, et. seq.. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. As the California Government Code is amended, this Policy shall likewise become amended.

8. PROHIBITED INVESTMENTS

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

9. *INVESTMENT CRITERIA*

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S Treasury and Agency Securities (§53601 (b & f))	5 years	100	N/A
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank (§53601 (q))	5 years	30	AA
Bonds and Notes issued by local agencies (§53601 (a & e))	5 years	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 (c & d))	5 years	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Term Corporate Notes (§53601 (k))	5 years	30	A
Mutual Funds & Money Market Mutual Funds (See Section 13) (§53601 (l))	N/A	20	Aaa & AAAm
Collateralized Mortgage Obligations (§53601 (o))	5 years	20	AA
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649et seq.)	5 years	N/A	N/A

10. BANKERS' ACCEPTANCE

No more than 30 percent of the agency's surplus funds may be invested in the Bankers' Acceptances of any one commercial bank pursuant to this section.

11. COMMERCIAL PAPER

All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's Corporation, a "P-1" rating by Moody's Investor Service, or a "F-1" rating by Fitch Financial Services, issued by corporations operating within the United States, and having total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

No more than 10% of the total assets of the investments held by a local agency may be invested in any one issuer's Commercial Paper.

12. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS

Under California Government Code Section 53601, Paragraph (j) and Section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

13. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (k), inclusive, or subdivisions (m) to (o) and with assets under management in excess of five hundred million dollars ($500,000,000.00).

No more than 10% of the agency's funds may be invested in any one Mutual Fund.

14. JOINT POWERS AGREEMENT

With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Powers Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy.

15. COLLATERAL

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

16. CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed . All brokers/dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms must have an investment grade rating from at least one national rating service, if applicable.

Broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with financial statements.

17. WITHDRAWAL REQUESTS

[a] **STATUTORY PARTICIPANTS -** The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor-Controller at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled

Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

[b] **VOLUNTARY PARTICIPANTS -** For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

18. DELIVERY & SAFEKEEPING

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

19. APPORTIONMENT OF INTEREST & COSTS

Interest shall be apportioned to all Pooled Investment Fund 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 Pooled Investment Fund. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code. The deduction shall be adjusted to actual cost in the fourth quarter of the fiscal year and/or the first quarter of the following fiscal year.

20. REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO

Quarterly, the County Treasurer will provide to the Treasury Oversight Committee, the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Treasury Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of

Investment Policy to the Board of Supervisors and to the legislative body of the local agencies that participate in the Pooled Investment Fund.

21. LIMITS ON HONORARIA, GIFTS AND GRATUITIES

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar 12 month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

22. AUDITS

The Treasury Oversight Committee shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

23. EXCEPTION TO POLICY

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the Pooled Investment Fund participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

24. INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.

25. DISASTER RECOVERY PLAN

The County Treasurer's Disaster Recovery Plan includes contact information for the Treasury staff and key county personnel, as well as contact information for authorized banks and brokers. Copies of the plan have been distributed to the investment staff: Assistant Treasurer-Tax Collector, Treasury Manager, and Investment and Debt Officer.

In the event we are unable to conduct normal business operations, the investment staff shall interact with one another by home phone, cell phone, or e-mail to decide on an alternate location from which to conduct daily operations. If unable to contact one another, the investment staff shall establish contact with one another through the County Office of Emergency Services.

GLOSSARY OF TERMS

ACCRUED INTEREST
Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCES
A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT
One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BOOK VALUE
The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER
Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

COMMERCIAL PAPER
Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE
The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CREDIT RISK
The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD
The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS
CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT
The amount by which the par value of a security exceeds the price paid for the security.

EARNINGS APPORTIONMENT
The quarterly interest distribution to the Pooled Investment Fund Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pooled Investment Fund.

FAIR VALUE
The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS
Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE
Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)
This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FLOATING RATE NOTE
A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST
The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LOCAL AGENCY INVESTMENT FUND (LAIF)
The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET VALUE
The price at which a security is trading and could presumably be purchased or sold.

MATURITY
The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND
A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

PAR
The stated maturity value, or face value, of a security.

PAR VALUE
The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM
The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE
A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

REPURCHASE AGREEMENT OR RP OR REPO
An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SECURITIES LENDING
A transaction wherein the Treasurer's Pooled Investment Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE
The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

TRADE DATE
The date and time corresponding to an investor's commitment to buy or sell a security.

WEIGHTED AVERAGE MATURITY
The remaining average maturity of all securities held in a portfolio.

QUARTERLY REPORT AND CERTIFICATION
OF THE COUNTY TREASURER
For Quarter Ending December 31, 2018

The Government Code requires the County Treasurer to render a Quarterly Report to the County Administrator, the Board of Supervisors, the County Auditor, the Treasury Oversight Committee, and the participants of the Treasury Pool.

The Quarterly Report shall state compliance of the portfolio to the County Investment Policy and denote the ability of the pool to meet its pool's expenditures for the next six months, or provide an explanation as to why sufficient money shall or may not be available.

COMPLIANCE CERTIFICATION

I certify that the investments of the Sonoma County Investment Pool are in compliance with the County Investment Policy.

I further certify that the pool has sufficient cash flow available to meet all budgeted expenditure requirements for the next six months.

[redacted]

Erick Roeser
Treasurer
County of Sonoma

SONOMA COUNTY POOLED INVESTMENT PROGRAM
For Quarter Ending December 31, 2018

BEGINNING FUND BALANCE (10/01/2018)	$2,108,046,698
ENDING FUND BALANCE	$2,437,158,330
AVERAGE DAILY FUND BALANCE	$2,234,915,749
TOTAL INTEREST EARNED (after fees)	$11,115,458
INTEREST RATE (after fees)	1.973
INTEREST RATE (before fees)	2.039

TOTAL FUNDS MANAGED BY TREASURY

TOTAL TREASURY BALANCE (including tobacco endowment, PACE bond investments, active bank accounts and money in transit)	$2,446,559,375

SONOMA COUNTY QUARTERLY INVESTMENT REPORT
For Quarter Ending December 31, 2018

INVESTMENT POOL YIELD:

The yield during this quarter is 2.039% before fees and 1.973% after fees.

MARKET VALUE:

The market value of the portfolio as of December 31, 2018, is at 99.62% of cost. The market values are up from the last Quarterly Report. Market values were obtained from SunGard Financial Systems and Bloomberg.

REVERSE REPURCHASE AGREEMENTS:

The pool has no reverse repurchase agreements.

WEIGHTED AVERAGE MATURITY:

The weighted average days to maturity is 523 days.

Excluding SCEIP investments, the weighted average days to maturity is 496 days.

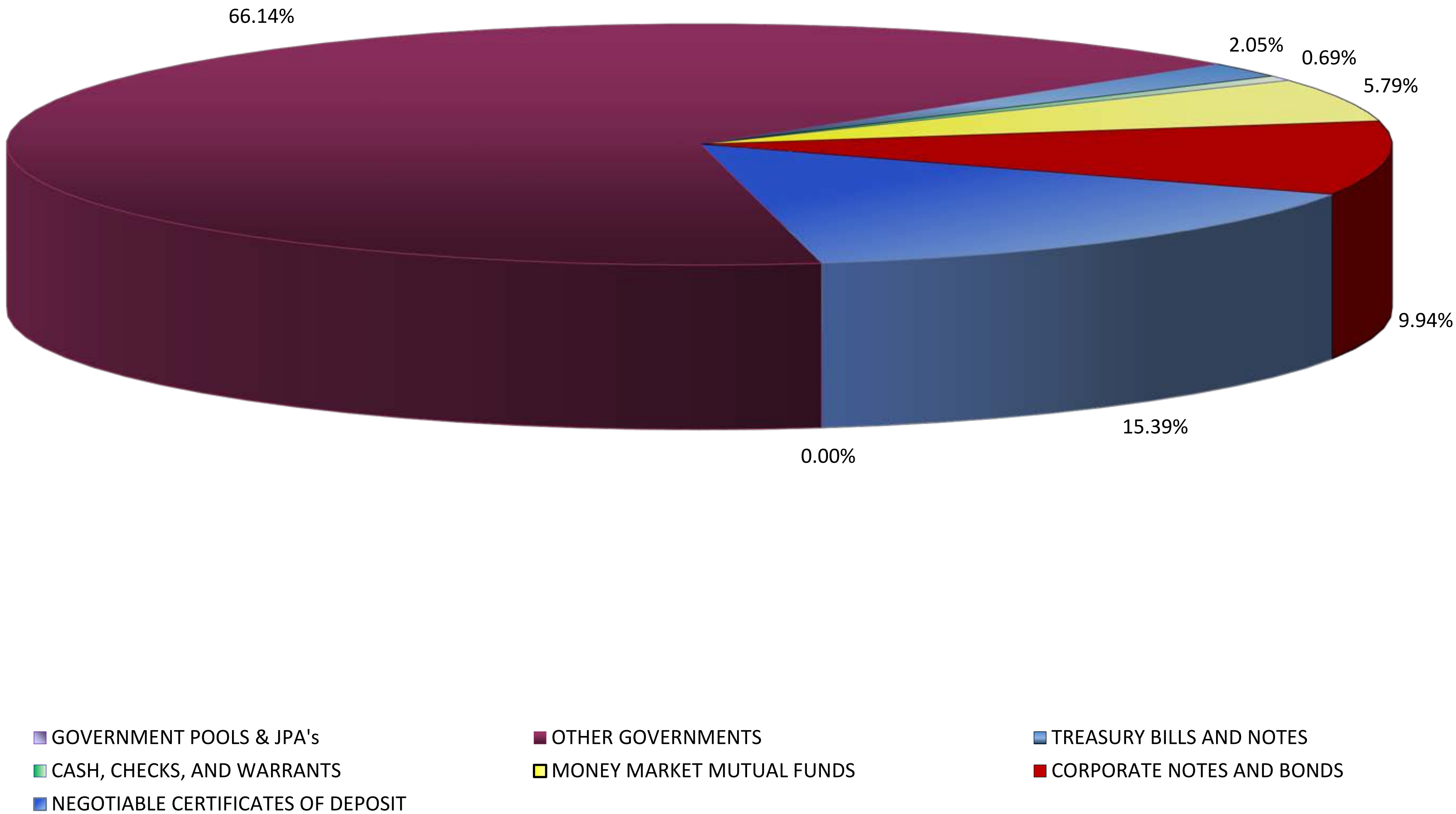
CHARTS:

Chart 1: The composition of the Investment Pool by the type of investment.
Chart 2: Interest earnings of the Sonoma County Investment Pool compared to FED FUNDS and Local Agency Investment Fund.

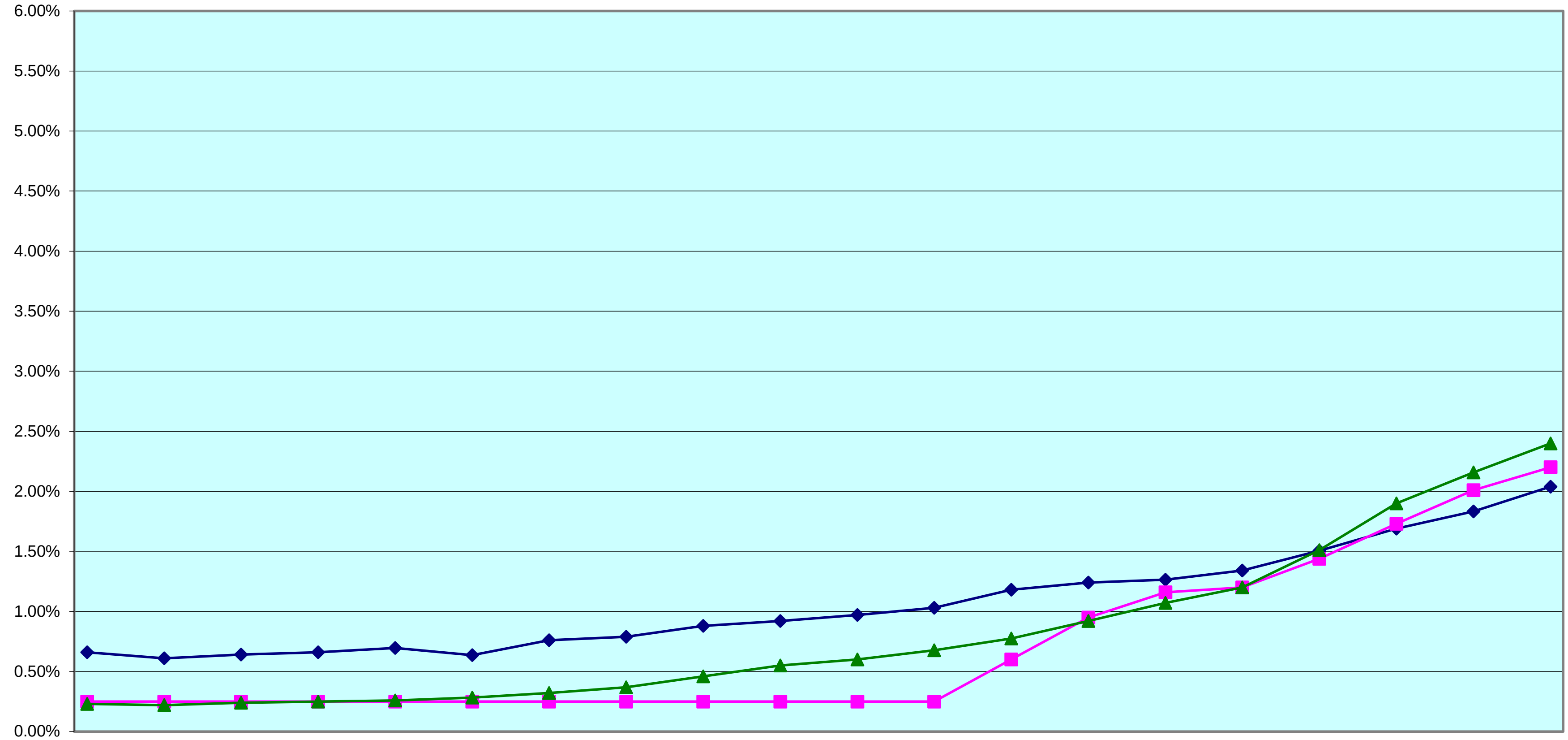
DETAILED LISTING OF INVESTMENTS:

A detailed listing of all investments for the Pooled Investment Fund is located at the end of this report.

SONOMA COUNTY'S POOLED INVESTMENTS AS OF 12/31/2018



SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Pool	0.66%	0.61%	0.64%	0.66%	0.70%	0.64%	0.76%	0.79%	0.88%	0.92%	0.97%	1.03%	1.18%	1.24%	1.26%	1.34%	1.51%	1.69%	1.83%	2.04%
Fed Fund	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.60%	0.95%	1.16%	1.20%	1.44%	1.73%	2.01%	2.20%
LAIF	0.23%	0.22%	0.24%	0.25%	0.26%	0.28%	0.32%	0.37%	0.46%	0.55%	0.60%	0.68%	0.78%	0.92%	1.07%	1.20%	1.51%	1.90%	2.16%	2.40%

*This does not include special TRAN investments & deferred compensation
Source: County of Sonoma, Office of the Auditor-Controller-Treasurer-Tax Collector

SONOMA COUNTY POOLED INVESTMENTS
AS OF 12/31/2018

	BOOK VALUE
CHECKS AND WARRANTS IN TRANSIT	$3,344,847
CASH IN VAULT	$109,652
CASH IN BANK	$13,463,938
TREASURY BILLS AND NOTES	$49,987,479
BANKERS ACCEPTANCES	$0
OTHER GOVERNMENTS	$1,611,997,744
COMMERCIAL PAPER	$0
CORPORATE BONDS AND NOTES	$242,157,937
NEGOTIABLE CERTIFICATES OF DEPOSIT	$375,004,556
OTHER GOVERNMENT POOLS AND JPA'S	$0
MONEY MARKET MUTUAL FUNDS	$141,092,177
TOTAL	$2,437,158,330

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF DECEMBER 31, 2018

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
TREASURY NOTES	02/28/2019	03/08/2017	1.12500	1.32567	25,000,000.00	24,992,155.04
TREASURY NOTES	10/15/2019	10/31/2016	1.00000	1.02417	25,000,000.00	24,995,324.45
SUBTOTAL TREASURY BILLS AND NOTES		**2.05%**			**50,000,000.00**	**49,987,479.49**
FEDERAL HOME LOAN BANK	01/03/2019	01/03/2017	1.32000	1.32000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	02/11/2019	02/11/2016	1.20000	1.20000	5,000,000.00	5,000,000.00
FHLMC	02/15/2019	02/15/2017	1.30000	1.30000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	02/25/2019	03/02/2017	1.25000	1.38451	15,000,000.00	14,997,018.62
FEDERAL NATL MTG ASSN	03/29/2019	09/30/2015	1.30000	1.30000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	04/17/2019	04/17/2017	1.32000	1.35997	25,000,000.00	24,997,146.71
FEDERAL HOME LOAN BANK	04/18/2019	04/18/2017	1.32000	1.36099	25,000,000.00	24,997,046.51
FEDERAL HOME LOAN BANK	04/29/2019	04/29/2016	1.25000	1.25000	15,000,000.00	15,000,000.00
FHLMC	05/24/2019	05/27/2016	1.12500	1.12500	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/05/2019	06/05/2017	1.39000	1.39000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	06/06/2019	06/06/2016	1.30000	1.30000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	06/06/2019	11/06/2017	1.60000	1.60000	15,000,000.00	15,000,000.00
FHLMC	06/14/2019	06/14/2017	1.40000	1.40000	10,000,000.00	10,000,000.00
CDC NOTE 2018 SERIES	06/15/2019	06/15/2018	2.30000	2.30000	3,360,000.00	3,360,000.00
AIRPORT 2019-1	06/15/2019	07/09/2018	2.30000	2.30000	2,000,000.00	2,000,000.00
AIRPORT 2019-2	06/15/2019	07/09/2018	2.30000	2.30000	1,500,000.00	1,500,000.00
FHLMC	06/28/2019	12/30/2016	1.50000	1.50000	15,000,000.00	15,000,000.00
FHLMC	06/28/2019	12/30/2016	1.50000	1.50000	20,000,000.00	20,000,000.00
FEDERAL NATL MTG ASSN	06/28/2019	06/28/2016	1.20000	1.20000	12,500,000.00	12,500,000.00
FEDERAL NATL MTG ASSN	06/28/2019	06/28/2016	1.20000	1.20000	8,450,000.00	8,450,000.00
SONOMA COUNTY WATER	07/01/2019	10/29/2015	1.50000	1.40037	405,000.00	405,194.61
FEDERAL FARM CREDIT BANK	07/05/2019	07/05/2016	1.02000	1.02000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	07/05/2019	07/07/2016	1.08000	1.08000	25,000,000.00	25,000,000.00
FHLMC	07/26/2019	04/26/2017	1.50000	1.50000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	07/26/2019	07/26/2016	1.10000	1.10000	7,500,000.00	7,500,000.00
FEDERAL NATL MTG ASSN	07/26/2019	08/10/2016	1.12500	1.15459	15,000,000.00	14,997,539.44
FEDERAL FARM CREDIT BANK	07/29/2019	10/29/2015	1.34000	1.34000	10,000,000.00	10,000,000.00
CONTRA COSTA CNTY REDEV	08/01/2019	08/30/2017	1.50000	1.60039	3,025,000.00	3,023,270.96
FEDERAL NATL MTG ASSN	08/02/2019	12/01/2016	1.26000	1.41880	25,000,000.00	24,977,311.34
FEDERAL NATL MTG ASSN	08/23/2019	08/30/2016	1.15000	1.17532	15,000,000.00	14,997,612.70
SCEIP 2009A-10	09/02/2019	07/01/2009	3.00000	3.00000	6,600.08	6,600.08
SCEIP 2009B-10	09/02/2019	08/03/2009	3.00000	3.00000	5,834.90	5,834.90
SCEIP 2009C-10	09/02/2019	09/01/2009	3.00000	3.00000	8,657.69	8,657.69
SCEIP 2009D-10	09/02/2019	10/01/2009	3.00000	3.00000	113,442.83	113,442.83
FEDERAL FARM CREDIT BANK	09/12/2019	09/12/2017	1.37500	1.37500	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	09/13/2019	12/13/2016	1.49000	1.49000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	09/13/2019	12/13/2016	1.49000	1.49000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	09/27/2019	12/27/2016	1.55000	1.55000	10,000,000.00	10,000,000.00
CA STATE GO	10/01/2019	05/18/2018	2.25000	2.50010	4,550,000.00	4,541,669.41
FEDERAL NATL MTG ASSN	10/24/2019	12/04/2018	1.00000	2.73962	9,000,000.00	8,885,186.67
FHLMC	11/22/2019	06/01/2017	1.50000	1.50624	17,490,000.00	17,489,056.82
FEDERAL NATL MTG ASSN	11/25/2019	11/28/2016	1.25000	1.30127	20,000,000.00	19,990,989.02
FEDERAL NATL MTG ASSN	11/25/2019	11/29/2016	1.40000	1.51332	20,000,000.00	19,980,157.64
FEDERAL FARM CREDIT BANK	11/25/2019	05/25/2016	1.30000	1.30000	10,000,000.00	10,000,000.00
FHLMC	11/26/2019	05/26/2016	1.35000	1.40141	6,500,000.00	6,497,073.97
FEDERAL HOME LOAN BANK	12/02/2019	12/02/2016	1.50000	1.50000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	12/13/2019	12/13/2017	1.80000	1.80000	15,000,000.00	15,000,000.00
FHLMC	12/27/2019	03/27/2017	1.62500	1.70007	8,500,000.00	8,493,910.45
FEDERAL FARM CREDIT BANK	01/06/2020	01/06/2017	1.72000	1.72000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	01/23/2020	01/23/2018	2.09000	2.09000	10,000,000.00	10,000,000.00

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF DECEMBER 31, 2018

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL NATL MTG ASSN	01/27/2020	01/31/2017	1.70000	1.71204	25,000,000.00	24,996,864.12
FEDERAL FARM CREDIT BANK	02/18/2020	05/18/2016	1.36000	1.36000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	03/20/2020	03/20/2018	2.40000	2.40000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	03/27/2020	12/27/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	04/03/2020	04/03/2018	2.43000	2.43000	5,000,000.00	5,000,000.00
FEDERAL FARM CREDIT BANK	04/03/2020	04/03/2018	2.43000	2.43000	10,000,000.00	10,000,000.00
FHLMC	04/13/2020	04/13/2017	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	04/13/2020	04/13/2018	2.37500	2.40257	10,000,000.00	9,996,573.60
FEDERAL HOME LOAN BANK	04/27/2020	10/28/2016	1.30000	1.30000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	05/28/2020	05/21/2018	2.62500	2.62892	15,000,000.00	14,999,165.87
FEDERAL HOME LOAN BANK	05/28/2020	11/28/2018	3.00000	3.00000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	06/01/2020	12/01/2016	1.65000	1.65000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.57240	10,000,000.00	9,996,871.16
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.56989	10,000,000.00	9,997,221.54
FEDERAL HOME LOAN BANK	06/12/2020	12/12/2017	2.00000	2.00000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	06/24/2020	12/24/2018	2.75000	2.73904	5,000,000.00	5,000,788.32
FEDERAL HOME LOAN BANK	06/26/2020	08/30/2017	1.62500	1.62500	15,000,000.00	15,000,000.00
FHLMC	06/29/2020	12/29/2017	2.00000	2.00000	15,000,000.00	15,000,000.00
SONOMA COUNTY WATER	07/01/2020	10/29/2015	1.75000	1.65038	225,000.00	225,322.29
FHLMC	07/13/2020	11/08/2018	1.85000	2.97409	20,000,000.00	19,784,253.50
FEDERAL FARM CREDIT BANK	07/30/2020	07/30/2018	2.66000	2.66000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	08/02/2020	05/03/2018	2.62500	2.62500	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	08/14/2020	11/15/2017	1.84000	1.84000	10,000,000.00	10,000,000.00
SCEIP 2009E-10	09/02/2020	11/02/2009	3.00000	3.00000	14,870.40	14,870.40
SCEIP 2009F-10	09/02/2020	12/01/2009	3.00000	3.00000	19,564.43	19,564.43
SCEIP 2010A-10	09/02/2020	01/04/2010	3.00000	3.00000	15,745.32	15,745.32
SCEIP 2010B-10	09/02/2020	02/01/2010	3.00000	3.00000	13,070.60	13,070.60
SCEIP 2010C-10	09/02/2020	03/01/2010	3.00000	3.00000	40,703.18	40,703.18
SCEIP 2010D-10	09/02/2020	04/01/2010	3.00000	3.00000	8,765.75	8,765.75
SCEIP 2010E-10	09/02/2020	05/03/2010	3.00000	3.00000	11,795.69	11,795.69
SCEIP 2010F-10	09/02/2020	06/01/2010	3.00000	3.00000	52,030.57	52,030.57
SCEIP 2010G-10	09/02/2020	06/30/2010	3.00000	3.00000	46,144.00	46,144.00
SCEIP 2010H-10	09/02/2020	08/02/2010	3.00000	3.00000	20,732.75	20,732.75
SCEIP 2010I-10	09/02/2020	09/01/2010	3.00000	3.00000	6,841.44	6,841.44
FEDERAL HOME LOAN BANK	09/29/2020	03/29/2018	2.50000	2.50000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	17,000,000.00	17,000,000.00
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	3,000,000.00	3,000,000.00
FEDERAL NATL MTG ASSN	10/30/2020	10/30/2017	1.80000	1.80000	5,000,000.00	5,000,000.00
FEDERAL HOME LOAN BANK	11/02/2020	11/06/2018	3.05000	3.05000	10,000,000.00	10,005,083.33
FEDERAL NATL MTG ASSN	11/09/2020	11/09/2017	1.95000	1.95000	10,000,000.00	10,000,000.00
FHLMC	11/27/2020	11/27/2018	3.00000	3.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	12/07/2020	12/07/2016	1.77000	1.77000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	12/11/2020	12/11/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	12/11/2020	12/11/2018	2.96000	2.96000	15,000,000.00	15,000,000.00
FHLMC	12/18/2020	12/18/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	12/18/2020	12/18/2018	3.00000	3.00000	20,000,000.00	20,000,000.00
FHLMC	12/28/2020	12/28/2018	3.05000	3.05000	10,000,000.00	10,000,000.00
FHLMC	12/28/2020	12/28/2018	3.00000	3.00000	7,000,000.00	7,000,000.00
FHLMC	12/28/2020	12/28/2018	3.00000	3.00000	5,980,000.00	5,980,000.00
FEDERAL HOME LOAN BANK	12/28/2020	12/28/2016	1.87500	1.87500	10,000,000.00	10,000,000.00
FHLMC	12/29/2020	03/29/2018	2.62500	2.62500	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	01/29/2021	01/29/2018	2.20000	2.20000	13,000,000.00	13,000,000.00
FHLMC	02/16/2021	11/16/2017	2.00000	2.00000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	03/04/2021	09/04/2018	2.82000	2.82000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	03/08/2021	03/08/2018	2.60000	2.60000	10,000,000.00	10,000,000.00

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF DECEMBER 31, 2018

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL FARM CREDIT BANK	03/12/2021	06/13/2017	1.80000	1.83217	13,000,000.00	12,991,246.38
FEDERAL FARM CREDIT BANK	03/29/2021	03/29/2018	2.71000	2.72398	15,000,000.00	14,995,521.89
FEDERAL FARM CREDIT BANK	04/09/2021	04/10/2018	2.67000	2.70005	6,725,000.00	6,720,621.42
FEDERAL FARM CREDIT BANK	04/12/2021	04/12/2016	1.62000	1.62000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	04/13/2021	04/13/2018	2.50000	2.55993	15,000,000.00	14,980,391.05
FHLMC	04/19/2021	04/19/2018	2.70000	2.70000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	04/26/2021	04/26/2016	1.70000	1.70000	7,250,000.00	7,250,000.00
FEDERAL HOME LOAN BANK	05/05/2021	11/05/2018	3.10000	3.10000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/02/2021	06/02/2016	1.69000	1.69000	10,000,000.00	10,000,000.00
FHLMC	06/09/2021	06/09/2016	1.60000	1.60000	5,500,000.00	5,500,000.00
FEDERAL NATL MTG ASSN	06/22/2021	06/25/2018	2.75000	2.75812	20,000,000.00	19,996,199.65
FHLMC	06/30/2021	10/12/2018	1.50000	2.18567	10,000,000.00	9,834,697.58
FEDERAL HOME LOAN BANK	09/01/2021	09/01/2016	1.55000	1.55522	15,000,000.00	14,997,999.69
SCEIP 2010J-10	09/02/2021	10/01/2010	3.00000	3.00000	6,119.08	6,119.08
SCEIP 2010L-10	09/02/2021	12/01/2010	3.00000	3.00000	56,209.33	56,209.33
SCEIP 2011A-10	09/02/2021	01/03/2011	3.00000	3.00000	4,287.86	4,287.86
SCEIP 2011B-10	09/02/2021	02/01/2011	3.00000	3.00000	15,578.66	15,578.66
SCEIP 2011C-10	09/02/2021	03/01/2011	3.00000	3.00000	23,763.67	23,763.67
SCEIP 2011D-10	09/02/2021	04/01/2011	3.00000	3.00000	102,321.46	102,321.46
SCEIP 2011E-10	09/02/2021	05/02/2011	3.00000	3.00000	10,536.57	10,536.57
SCEIP 2011F-10	09/02/2021	06/01/2011	3.00000	3.00000	6,386.17	6,386.17
SCEIP 2011G-10	09/02/2021	06/30/2011	3.00000	3.00000	10,412.63	10,412.63
SCEIP 2011H-10	09/02/2021	08/01/2011	3.00000	3.00000	20,545.72	20,545.72
SCEIP 2011I-10	09/02/2021	09/01/2011	3.00000	3.00000	22,499.38	22,499.38
FEDERAL FARM CREDIT BANK	09/20/2021	09/20/2017	1.84000	1.84000	5,000,000.00	5,000,000.00
FHLMC	09/28/2021	12/28/2018	3.07000	3.07000	5,000,000.00	5,000,000.00
FEDERAL HOME LOAN BANK	10/06/2021	10/06/2016	1.54000	1.54000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	11/15/2021	11/20/2017	2.09000	2.09000	10,000,000.00	10,000,000.00
FHLMC	12/10/2021	12/10/2018	3.13500	3.13500	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	12/10/2021	12/10/2018	3.10000	3.10000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	12/21/2021	12/21/2017	2.23000	2.23000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	02/14/2022	02/14/2018	2.73000	2.73000	5,800,000.00	5,800,000.00
FHLMC	02/23/2022	05/23/2018	3.00000	3.00000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	05/03/2022	05/03/2018	3.00000	3.00000	20,000,000.00	20,000,000.00
SCEIP 2011J-10	09/02/2022	10/03/2011	3.00000	3.00000	2,364.03	2,364.03
SCEIP 2011K-10	09/02/2022	11/01/2011	3.00000	3.00000	26,528.05	26,528.05
SCEIP 2012A-10	09/02/2022	01/03/2012	3.00000	3.00000	2,524.64	2,524.64
SCEIP 2012B-10	09/02/2022	02/01/2012	3.00000	3.00000	5,008.59	5,008.59
SCEIP 2012C-10	09/02/2022	03/01/2012	3.00000	3.00000	5,986.20	5,986.20
SCEIP 2012D-10	09/02/2022	04/02/2012	3.00000	3.00000	6,334.60	6,334.60
SCEIP 2012G-10	09/02/2022	06/29/2012	3.00000	3.00000	3,818.73	3,818.73
SCEIP 2012H-10	09/02/2022	08/01/2012	3.00000	3.00000	7,949.65	7,949.65
FEDERAL FARM CREDIT BANK	10/11/2022	10/11/2017	2.16000	2.16000	5,000,000.00	5,000,000.00
FEDERAL FARM CREDIT BANK	10/12/2022	04/12/2018	3.00000	3.00000	5,000,000.00	5,000,000.00
FEDERAL NATL MTG ASSN	10/13/2022	10/31/2017	2.20000	2.21597	20,000,000.00	19,988,542.57
FEDERAL NATL MTG ASSN	10/19/2022	04/19/2018	3.00000	3.00000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	10/27/2022	10/27/2017	2.25000	2.25000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	10/27/2022	10/27/2017	2.25000	2.25000	10,000,000.00	10,000,000.00
FHLMC	11/28/2022	11/30/2017	2.32000	2.32000	7,860,000.00	7,860,000.00
FEDERAL HOME LOAN BANK	12/05/2022	12/05/2017	2.37500	2.37500	10,000,000.00	10,000,000.00
FHLMC	12/28/2022	12/28/2017	2.50000	2.50321	3,300,000.00	3,299,604.99
FHLMC	12/28/2022	12/28/2017	2.50000	2.50321	5,000,000.00	4,999,401.53
FHLMC	12/28/2022	12/28/2017	2.50000	2.50000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	01/30/2023	01/30/2018	2.66000	2.66000	10,000,000.00	10,000,000.00
FHLMC	02/23/2023	02/28/2018	2.75000	2.75000	10,000,000.00	10,000,000.00

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Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL FARM CREDIT BANK	04/18/2023	04/18/2018	3.00000	3.00000	15,000,000.00	15,000,000.00
FHLMC	04/27/2023	04/27/2018	3.05000	3.05000	10,000,000.00	10,000,000.00
FHLMC	05/15/2023	05/15/2018	3.20000	3.20436	15,000,000.00	14,997,379.52
FHLMC	07/12/2023	07/13/2018	3.30000	3.30873	10,000,000.00	9,997,293.66
FHLMC	07/26/2023	07/26/2018	3.12500	3.12935	9,200,000.00	9,198,320.23
SCEIP 2012J-10	09/02/2023	11/01/2012	3.00000	3.00000	38,158.39	38,158.39
SCEIP 2012K-10	09/02/2023	12/03/2012	3.00000	3.00000	2,407.65	2,407.65
SCEIP 2013A-10	09/02/2023	01/02/2013	3.00000	3.00000	6,103.02	6,103.02
SCEIP 2013C-10	09/02/2023	03/01/2013	3.00000	3.00000	14,537.61	14,537.61
SCEIP 2013E-10	09/02/2023	05/01/2013	3.00000	3.00000	6,106.15	6,106.15
SCEIP 2013H-10	09/02/2023	08/01/2013	3.00000	3.00000	23,568.25	23,568.25
SCEIP 2013I-10	09/02/2023	09/03/2013	3.00000	3.00000	20,770.62	20,770.62
FEDERAL FARM CREDIT BANK	11/01/2023	11/01/2018	3.44000	3.44000	15,000,000.00	15,000,000.00
FHLMC	12/18/2023	12/18/2018	3.50000	3.50000	10,000,000.00	10,000,000.00
SCEIP 2013J-10	09/02/2024	10/01/2013	3.00000	3.00000	76,550.76	76,550.76
SCEIP 2013L-10	09/02/2024	12/02/2013	3.00000	3.00000	17,836.07	17,836.07
SCEIP 2014B-10	09/02/2024	02/03/2014	3.00000	3.00000	12,440.89	12,440.89
SCEIP 2014C-10	09/02/2024	03/03/2014	3.00000	3.00000	34,012.69	34,012.69
SCEIP 2014D-10	09/02/2024	04/01/2014	3.00000	3.00000	4,764.84	4,764.84
SCEIP 2014F-10	09/02/2024	06/02/2014	3.00000	3.00000	2,487.13	2,487.13
SCEIP 2014H-10	09/02/2024	08/01/2014	3.00000	3.00000	31,637.91	31,637.91
SCEIP 2014I-10	09/02/2024	09/02/2014	3.00000	3.00000	4,157.20	4,157.20
SCEIP 2014J-10	09/02/2025	10/01/2014	3.00000	3.00000	4,085.10	4,085.10
SCEIP 2014K-10	09/02/2025	11/03/2014	3.00000	3.00000	28,326.56	28,326.56
SCEIP 2014L-10	09/02/2025	12/01/2014	3.00000	3.00000	20,907.64	20,907.64
SCEIP 2015A-10	09/02/2025	01/05/2015	3.00000	3.00000	23,897.77	23,897.77
SCEIP 2015C-10	09/02/2025	03/02/2015	3.00000	3.00000	3,101.57	3,101.57
SCEIP 2015F-10	09/02/2025	06/01/2015	3.00000	3.00000	8,790.20	8,790.20
SCEIP 2015H-10	09/02/2025	08/03/2015	3.00000	3.00000	17,246.17	17,246.17
SCEIP 2015I-10	09/02/2025	09/02/2015	3.00000	3.00000	14,172.77	14,172.77
SCEIP 2015J-10	09/02/2026	10/01/2015	3.00000	3.00000	39,365.46	39,365.46
SCEIP 2015K-10	09/02/2026	11/02/2015	3.00000	3.00000	56,906.73	56,906.73
SCEIP 2015L-10	09/02/2026	12/01/2015	3.00000	3.00000	35,885.58	35,885.58
SCEIP 2016B-10	09/02/2026	02/01/2016	3.00000	3.00000	14,173.86	14,173.86
SCEIP 2016D-10	09/02/2026	04/01/2016	3.00000	3.00000	17,573.99	17,573.99
SCEIP 2016G-10	09/02/2026	06/30/2016	3.00000	3.00000	220,673.99	220,673.99
SCEIP 2016H-10	09/02/2026	08/01/2016	3.00000	3.00000	2,397.03	2,397.03
SCEIP 2016I-10	09/02/2026	09/02/2016	3.00000	3.00000	55,565.33	55,565.33
SCEIP 2016K-10	09/02/2027	11/01/2016	3.00000	3.00000	79,439.23	79,439.23
SCEIP 2016L-10	09/02/2027	12/01/2016	3.00000	3.00000	20,795.21	20,795.21
SCEIP 2017A-10	09/02/2027	01/03/2017	3.00000	3.00000	18,716.36	18,716.36
SCEIP 2017B-10	09/02/2027	02/01/2017	3.00000	3.00000	55,655.03	55,655.03
SCEIP 2017D-10	09/02/2027	04/03/2017	3.00000	3.00000	14,323.92	14,323.92
SCEIP 2017F-10	09/02/2027	06/01/2017	3.00000	3.00000	9,896.06	9,896.06
SCEIP 2017I-10	09/02/2027	09/05/2017	3.00000	3.00000	9,280.40	9,280.40
SCEIP 2017J-10	09/02/2028	10/02/2017	3.00000	3.00000	173,129.69	173,129.69
SCEIP 2017L-10	09/02/2028	12/01/2017	3.00000	3.00000	95,166.74	95,166.74
SCEIP 2018C-10	09/02/2028	03/02/2018	3.00000	3.00000	15,262.21	15,262.21
SCEIP 2018D-10	09/02/2028	04/02/2018	3.00000	3.00000	83,797.83	83,797.83
SCEIP 2018F-10	09/02/2028	06/01/2018	3.00000	3.00000	18,712.35	18,712.35
SCEIP 2018G-10	09/02/2028	06/29/2018	3.00000	3.00000	67,907.16	67,907.16
SCEIP 2018H-10	09/02/2028	08/01/2018	3.00000	3.00000	12,168.91	12,168.91
SCEIP 2009B-20	09/02/2029	06/01/2009	3.00000	3.00000	67,022.89	67,022.89
SCEIP 2009C-20	09/02/2029	07/01/2009	3.00000	3.00000	85,476.61	85,476.61
SCEIP 2009D-20	09/02/2029	08/03/2009	3.00000	3.00000	256,398.25	256,398.25

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Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
SCEIP 2009E-20	09/02/2029	09/01/2009	3.00000	3.00000	2,083,059.13	2,083,059.13
SCEIP 2009F-20	09/02/2029	10/01/2009	3.00000	3.00000	664,002.85	664,002.85
SCEIP 2018J-10	09/02/2029	10/01/2018	3.00000	3.00000	178,770.09	178,770.09
SCEIP 2018K-10	09/02/2029	11/01/2018	3.00000	3.00000	71,567.07	71,567.07
SCEIP 2018L-10	09/02/2029	12/03/2018	3.00000	3.00000	10,141.38	10,141.38
SCEIP 2009G-20	09/02/2030	11/02/2009	3.00000	3.00000	329,466.25	329,466.25
SCEIP 2009H-20	09/02/2030	12/01/2009	3.00000	3.00000	1,208,687.96	1,208,687.96
SCEIP 2010A-20	09/02/2030	01/04/2010	3.00000	3.00000	965,889.84	965,889.84
SCEIP 2010B-20	09/02/2030	02/01/2010	3.00000	3.00000	894,333.43	894,333.43
SCEIP 2010C-20	09/02/2030	03/01/2010	3.00000	3.00000	681,766.42	681,766.42
SCEIP 2010D-20	09/02/2030	04/01/2010	3.00000	3.00000	545,755.04	545,755.04
SCEIP 2010E-20	09/02/2030	05/03/2010	3.00000	3.00000	385,694.77	385,694.77
SCEIP 2010F-20	09/02/2030	06/01/2010	3.00000	3.00000	801,643.76	801,643.76
SCEIP 2010G-20	09/02/2030	06/30/2010	3.00000	3.00000	525,134.37	525,134.37
SCEIP 2010H-20	09/02/2030	08/02/2010	3.00000	3.00000	339,441.33	339,441.33
SCEIP 2010I-20	09/02/2030	09/01/2010	3.00000	3.00000	617,418.62	617,418.62
SCEIP 2010J-20	09/02/2031	10/01/2010	3.00000	3.00000	338,008.82	338,008.82
SCEIP 2010K-20	09/02/2031	11/01/2010	3.00000	3.00000	446,635.50	446,635.50
SCEIP 2010L-20	09/02/2031	12/01/2010	3.00000	3.00000	417,995.13	417,995.13
SCEIP 2011A-20	09/02/2031	01/03/2011	3.00000	3.00000	334,451.27	334,451.27
SCEIP 2011B-20	09/02/2031	02/01/2011	3.00000	3.00000	449,712.02	449,712.02
SCEIP 2011C-20	09/02/2031	03/01/2011	3.00000	3.00000	262,557.51	262,557.51
SCEIP 2011D-20	09/02/2031	04/01/2011	3.00000	3.00000	383,196.97	383,196.97
SCEIP 2011E-20	09/02/2031	05/02/2011	3.00000	3.00000	270,415.21	270,415.21
SCEIP 2011F-20	09/02/2031	06/01/2011	3.00000	3.00000	307,864.85	307,864.85
SCEIP 2011G-20	09/02/2031	06/30/2011	3.00000	3.00000	453,877.18	453,877.18
SCEIP 2014F-20	09/02/2034	06/02/2014	3.00000	3.00000	72,906.80	72,906.80
SCEIP 2014G-20	09/02/2034	06/30/2014	3.00000	3.00000	185,344.18	185,344.18
SCEIP 2014H-20	09/02/2034	08/01/2014	3.00000	3.00000	108,399.46	108,399.46
SCEIP 2014I-20	09/02/2034	09/02/2014	3.00000	3.00000	121,393.28	121,393.28
SCEIP 2014J-20	09/02/2035	10/01/2014	3.00000	3.00000	132,024.43	132,024.43
SCEIP 2014K-20	09/02/2035	11/03/2014	3.00000	3.00000	106,748.44	106,748.44
SCEIP 2014L-20	09/02/2035	12/01/2014	3.00000	3.00000	74,084.54	74,084.54
SCEIP 2015A-20	09/02/2035	01/05/2015	3.00000	3.00000	150,005.02	150,005.02
SCEIP 2015B-20	09/02/2035	02/02/2015	3.00000	3.00000	82,640.50	82,640.50
SCEIP 2015C-20	09/02/2035	03/02/2015	3.00000	3.00000	166,562.90	166,562.90
SCEIP 2015D-20	09/02/2035	04/01/2015	3.00000	3.00000	97,636.70	97,636.70
SCEIP 2015E-20	09/02/2035	05/01/2015	3.00000	3.00000	62,304.38	62,304.38
SCEIP 2015F-20	09/02/2035	06/01/2015	3.00000	3.00000	34,925.34	34,925.34
SUBTOTAL OTHER GOVERNMENTS		**66.14%**			**1,612,648,195.17**	**1,611,997,743.93**
BANK OF NOVA SCOTIA	01/04/2019	04/09/2018	2.50000	2.50000	25,000,000.00	25,000,000.00
UBS AG STAMFORD	02/25/2019	05/30/2018	2.51000	2.51000	35,000,000.00	35,000,000.00
TORONTO DOMINION	02/28/2019	02/28/2018	2.45000	2.45000	20,000,000.00	20,000,000.00
TORONTO DOMINION	03/14/2019	12/14/2018	2.78000	2.78000	30,000,000.00	30,000,000.00
BNP PARIBAS	03/29/2019	10/31/2018	2.67000	2.67000	25,000,000.00	25,000,000.00
BNP PARIBAS	05/08/2019	05/08/2018	2.64000	2.64000	25,000,000.00	25,000,000.00
TORONTO DOMINION	06/19/2019	11/19/2018	2.92000	2.92000	30,000,000.00	30,000,000.00
BNP PARIBAS	06/21/2019	06/21/2018	2.66000	2.66000	30,000,000.00	30,000,000.00
BANK OF NOVA SCOTIA	07/08/2019	12/10/2018	2.88000	2.88000	25,000,000.00	25,000,000.00
BANK OF MONTREAL	08/13/2019	11/06/2018	2.98000	2.98000	30,000,000.00	30,000,000.00
TORONTO DOMINION	08/29/2019	11/29/2018	3.00000	3.00000	25,000,000.00	25,000,000.00
BANK OF MONTREAL	09/03/2019	12/03/2018	3.01000	3.01000	30,000,000.00	30,000,000.00
BNP PARIBAS	09/26/2019	09/28/2018	2.79000	2.79000	20,000,000.00	20,004,556.07

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BANK OF MONTREAL	10/09/2019	10/09/2018	2.80000	2.80000	25,000,000.00	25,000,000.00
SUBTOTAL NEGOTIABLE CERTIFICATES OF DEPOSIT		**15.39%**			**375,000,000.00**	**375,004,556.07**
PEPSI CO	05/02/2019	05/02/2017	1.55000	1.58825	8,000,000.00	7,999,005.48
TOYOTA	05/20/2019	03/05/2018	1.40000	2.44599	25,000,000.00	24,902,369.06
WELLS FARGO CO MTN	05/24/2019	06/14/2016	1.75000	1.48002	15,000,000.00	15,015,478.34
WELLS FARGO CO MTN	05/24/2019	11/01/2017	1.75000	1.81746	15,000,000.00	14,996,079.44
WELLS FARGO CO MTN	05/24/2019	11/22/2017	1.75000	2.01426	20,000,000.00	19,979,645.98
TOYOTA	07/18/2019	04/13/2018	2.12500	2.53541	15,000,000.00	14,967,207.59
APPLE	08/02/2019	09/14/2017	1.10000	1.50033	10,000,000.00	9,977,025.79
MICROSOFT CORP	08/08/2019	03/07/2017	1.10000	1.60415	8,000,000.00	7,976,375.73
WELLS FARGO CO MTN	12/06/2019	12/08/2016	3.38888	3.38888	10,000,000.00	10,000,000.00
WELLS FARGO CO MTN	12/06/2019	12/08/2016	2.15000	2.19789	10,000,000.00	9,995,719.84
WELLS FARGO CO MTN	01/15/2020	03/06/2018	2.40000	2.75000	12,000,000.00	11,957,797.24
TOYOTA	04/17/2020	03/28/2018	1.95000	2.77508	10,000,000.00	9,897,178.18
CITIBANK	06/12/2020	11/29/2018	2.10000	3.38645	6,746,000.00	6,624,698.98
CITIBANK	06/12/2020	11/30/2018	2.10000	3.37751	8,000,000.00	7,857,138.28
WELLS FARGO CO MTN	01/15/2021	11/29/2018	2.60000	3.48399	12,953,000.00	12,855,091.83
IBM	02/05/2021	03/28/2018	2.65000	2.85032	10,000,000.00	9,959,904.11
CISCO SYSTEMS	02/28/2021	11/08/2018	2.20000	3.23509	15,000,000.00	14,743,512.58
TOYOTA	04/13/2021	11/26/2018	2.95000	3.18422	12,166,000.00	12,146,476.55
TOYOTA	01/10/2023	12/12/2018	2.62500	3.57590	13,000,000.00	12,684,930.31
MICROSOFT CORP	08/08/2023	12/06/2018	2.00000	3.26921	8,000,000.00	7,622,301.42
SUBTOTAL CORPORATE NOTES AND BONDS		**9.94%**			**243,865,000.00**	**242,157,936.73**
CAMP	01/01/2019	07/08/2002	2.46229	2.46229	133,840,374.98	133,840,374.98
CAL TRUST MMF	01/01/2019	08/28/2009	2.14823	2.14823	7,251,801.83	7,251,801.83
SUBTOTAL MONEY MARKET MUTUAL FUNDS		**5.79%**			**141,092,176.81**	**141,092,176.81**
LOCAL AGENCY INVESTMENT FUND	01/01/2019	11/04/2002	2.39942	2.39942	0.00	0.00
SUBTOTAL GOVERNMENT POOLS AND JPA'S		**0.00%**			**0.00**	**0.00**
CASH IN BANK		**0.55%**			**13,463,937.76**	**13,463,937.76**
CHECK AND WARRANTS IN TRANSIT		**0.14%**			**3,344,846.77**	**3,344,846.77**
CASH IN VAULT		**0.00%**			**109,652.32**	**109,652.32**
GRAND TOTAL		**100%**			**2,439,523,808.83**	**2,437,158,329.88**