NEW ISSUE – FULL BOOK-ENTRY

RATINGS:
INSURED RATING: Moody's: "A2"; S&P: "AA"; Kroll: "AA+"
UNDERLYING RATINGS: Moody's: "A2"; S&P: "AA-"
(See "RATINGS" herein)

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

$150,000,000
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
Election of 2007 General Obligation Bonds, Series D
(School Facilities Improvement District No. 3)

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

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned in the Official Statement.

The Folsom Cordova Unified School District (Sacramento County, California) Election of 2007 General Obligation Bonds, Series D (School Facilities Improvement District No. 3) (the "Bonds") were authorized at an election of the registered voters within the Folsom Cordova Unified School District School Facilities Improvement District No. 3 (the "Improvement District") held on March 27, 2007, at which the requisite two thirds of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $750,000,000 of general obligation bonds. The Bonds are being issued by the Folsom Cordova Unified School District (the "School District") to finance the acquisition, construction and repair of School District sites and facilities within the Improvement District, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the School District payable solely from *ad valorem* property taxes levied upon all property within the boundaries of the Improvement District. The Board of Supervisors of the County is empowered and obligated to annually levy such *ad valorem* property taxes for the payment of principal of and interest on the Bonds upon all property within the Improvement District subject to taxation by the School District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from their date of delivery and be payable semiannually on April 1 and October of each year, commencing October 1, 2019. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Beneficial Owners will not receive physical certificates representing their interests in the Bonds, but will receive credit balances on the books of their respective nominees.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

The Bonds are subject to redemption prior to maturity as further described herein.

MATURITY SCHEDULE
(see inside front cover)

Pursuant to the terms of a public sale on July 10, 2019, the Bonds were awarded to the Underwriter at a True-Interest Cost of 3.460461%. The Bonds are being offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the School District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel. The Bonds, in book-entry form, will be available through the facilities of The Depository Trust Company in New York, New York, on or about July 31, 2019.

Dated: July 10, 2019

MATURITY SCHEDULE

$150,000,000
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
Election of 2007 General Obligation Bonds, Series D
(School Facilities Improvement District No. 3)

Base CUSIP†: 34440P

$74,565,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2022	$410,000	5.000%	1.090%	BF7
2023	100,000	5.000	1.100	BG5
2029	455,000	4.000	1.680(1)	BH3
2030	635,000	4.000	1.760(1)	BJ9
2031	915,000	4.000	1.860(1)	BK6
2032	845,000	4.000	2.000(1)	BL4
2033	1,520,000	4.000	2.140(1)	BM2
2034	1,400,000	4.000	2.240(1)	BN0
2035	8,175,000	4.000	2.310(1)	BP5
2036	9,415,000	4.000	2.420(1)	BQ3
2037	10,535,000	4.000	2.480(1)	BR1
2038	11,915,000	4.000	2.530(1)	BS9
2039	13,360,000	4.000	2.600(1)	BT7
2040	14,885,000	4.000	2.680(1)	BU4

$75,435,000 – 4.000% Term Bonds due October 1, 2044 – Yield 2.800%(1); CUSIP Suffix†: BY6

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the School District is responsible for the selection or correctness of the CUSIP numbers set forth herein, and no representation is made as to their correctness on the applicable Bonds or as included herein. CUSIP numbers have been assigned by an independent company not affiliated with the School District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(1) Yield to call at par on October 1, 2026.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

JoAnne Reinking, *President*
Chris Clark, *Vice President*
Josh Hoover, *Clerk*
David Reid, *Member*
Ed Short, *Member*

SCHOOL DISTRICT ADMINISTRATION

Dr. Sarah Koligian, *Superintendent*
Rhonda Crawford, *Assistant Superintendent, Business Services*
Matt Washburn, *Chief Operations Officer*

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

KNN Public Finance, LLC
Oakland, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

Sacramento County Department of Finance
Sacramento, California

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

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org. However, the information presented on such website is not incorporated herein by any reference.

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

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

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

The School District maintains a website and certain social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "THE BONDS – Bond Insurance" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

$150,000,000
FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
Election of 2007 General Obligation Bonds, Series D
(School Facilities Improvement District No. 3)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of Folsom Cordova Unified School District (Sacramento County, California) Election of 2007 General Obligation Bonds, Series D (School Facilities Improvement District No. 3) (the "Bonds").

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

Changes Since the Preliminary Official Statement

The Official Statement has been revised to include a description of the State budget for fiscal year 2019-20 based on a summary published by the California Department of Finance. See "SCHOOL DISTRICT FINANCIAL INFORMATION – State Budget" herein.

The School District

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

The School District was established in 1949 and is a unified school district serving students in grades K-12. The School District operates 32 schools, including 20 elementary schools, four middle schools, three comprehensive high schools, four alternative high schools and one dependent charter elementary school. The School District also operates 14 preschool programs at eight sites, transitional kindergarten programs at six sites, a Montessori program at one site, 14 child care centers and an adult education program. For fiscal year 2019-20, the School District has projected an enrollment of 20,610 students and an average daily attendance ("ADA") of 19,683 students. Taxable property within the School District has a fiscal year 2018-19 total assessed valuation of approximately $21.1 billion.

The School District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the School District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations, as well as the supervision of the School District's other personnel. Dr. Sarah Koligian currently serves as the School District Superintendent

For more complete information concerning the School District, including certain financial information, see "FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT" and "SCHOOL DISTRICT FINANCIAL INFORMATION" herein. See also "TAX BASE FOR REPAYMENT OF BONDS" herein for additional information regarding the assessed valuation of property within the Improvement District (as defined herein). The School District's audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX B and should be read in their entirety.

The Improvement District

The Folsom Cordova Unified School District School Facilities Improvement District No. 3 (the "Improvement District") is located in the southeastern portion of the School District, and includes a portion of the City of Rancho Cordova, a portion of the City of Folsom, and other adjacent unincorporated territory of the County. The Improvement District encompasses approximately 52.6 square miles, representing approximately 54.8% of the territory of the School District. Taxable property within the Improvement District has a fiscal year 2018-19 total assessed valuation of $1,908,530,925. See also "THE IMPROVEMENT DISTRICT" and "TAX BASE FOR REPAYMENT OF BONDS" herein, and "APPENDIX A – BOUNDARY MAP OF IMPROVEMENT DISTRICT NO. 3" attached hereto.

Sources of Payment for the Bonds

The Bonds are general obligations of the School District payable solely from *ad valorem* property taxes levied upon all property within the boundaries of the Improvement District. The Board of Supervisors of the County (the "County Board") is empowered and obligated to annually levy such *ad valorem* property taxes for the payment of principal of and interest on the Bonds upon all property within the Improvement District subject to taxation by the School District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates). See also "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Purpose of Issue

The Bonds are being issued by the School District to (i) finance the acquisition, construction and repair of School District sites and facilities within the Improvement District, and (ii) pay the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "APPLICATION OF PROCEEDS OF THE BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" herein and "APPENDIX F- BOOK-ENTRY ONLY SYSTEM" attached hereto. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS –Registration, Payment and Exchange of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption

"TAX MATTERS" herein and in APPENDIX D attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, or any integral multiples thereof.

Redemption. The Bonds are subject to optional redemption prior to their stated maturity dates, as further described herein. Certain of the Bonds are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS– Redemption" herein.

Payments. The Bonds will be dated as of their date of delivery. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery, and be payable semiannually on each April 1 and October 1, commencing October 1, 2019 (each, a "Bond Payment Date"). Principal on the Bonds is payable on October 1 of each year, as shown on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by the Sacramento County Department of Finance, as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. See also "APPENDIX F – BOOK ENTRY-ONLY SYSTEM" attached hereto.

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See also "THE BONDS – Bond Insurance" and "RATINGS" herein.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the School District on March 28, 2019 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 31, 2019.

Bond Owners' Risks

The Bonds are general obligations of the School District payable solely from *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the Improvement District. For more complete information regarding the taxation of property within the Improvement District, as well as certain other considerations, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

The School District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the School District and the Improvement District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein for information regarding such covenants, as well as concerning the past compliance of the School District with respect to prior undertakings entered into pursuant to the Rule. For the form of the current undertaking, see "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Forward-Looking Statements

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the School District with respect to the Bonds. KNN Public Finance, LLC, Oakland, California, is acting as Municipal Advisor to the School District with respect to the Bonds. The Sacramento County Department of Finance will act as Paying Agent for the Bonds. The payment of fees for Bond Counsel, Disclosure Counsel and the Municipal Advisor will be contingent on the issuance and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Assistant Superintendent, Business Services, Folsom Cordova Unified School District, 1965 Birkmont Drive, Rancho Cordova, California, 95742, (916) 294-9004. The School District may impose a charge for copying, mailing and handling.

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

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

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

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"), Article XIIIA of the California Constitution and pursuant to the Resolution.

The School District received authorization at an election held on March 27, 2007, by the requisite two thirds of the votes cast by eligible voters residing in the Improvement District to issue $750,000,000 principal amount of general obligation bonds for facilities improvements in the Improvement District (the "Authorization"). The Bonds represent the fourth issuance of bonds pursuant to the Authorization, and following the issuance thereof, $554,451,144.10 of the Authorization will remain.

Security and Sources of Payment

The Bonds are general obligations of the School District payable solely from *ad valorem* property taxes levied upon all property within the boundaries of the Improvement District. The County Board is empowered and obligated to annually levy such *ad valorem* property taxes for the payment of principal of and interest on the Bonds upon all property within the Improvement District subject to taxation by the School District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

Ad valorem property taxes levied to pay the Bonds will be levied annually in addition to all other taxes in an amount sufficient to pay the principal of and interest thereon when due, as described above. The levy of *ad valorem* property taxes for payment of the Bonds may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. However, the County is not obligated to establish or maintain such a reserve for any of the Bonds, and the School District can make no representations that the County will do so. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein) established by the Resolution, which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds, and interest thereon when due. Pursuant to the Resolution, the School District has pledged to the payment of the Bonds all revenues received from the levy and collection of *ad valorem* property taxes for the payment of the Bonds and all funds on deposit in the Debt Service Fund representing the levy of *ad valorem* property taxes for the payment of the Bonds and interest earnings thereon. Although the County

Board is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

Moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable will be remitted by the County, acting as Paying Agent, to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The rates of the annual *ad valorem* property taxes levied within the Improvement District to pay the principal of and interest on the Bonds, as described above, will be determined by the relationship between the assessed valuation of taxable property in the Improvement District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service due on the Bonds and the assessed value of taxable property in the Improvement District may cause the annual tax rate to fluctuate. Economic and other factors beyond the School District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), a relocation out of the Improvement District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, drought, fire, wildfire, flood, or other natural disaster, could cause a reduction in the assessed value of taxable property within an Improvement District and could necessitate a corresponding increase in the annual tax rate in such Improvement District. For further information regarding the Improvement District's assessed valuations, tax rates, overlapping debt, and other matters concerning taxation, see See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Considerations Regarding Bond Insurance. In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of the Bonds may have a claim under the Policy (as defined herein) secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

In the event that AGM (as defined herein) is unable to make payments of principal of or interest on the Bonds, as such payments become due under any the Policy, such Bonds will be payable solely as otherwise described herein. In the event that AGM becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event would not adversely affect the market price of such Bonds or the marketability or liquidity of such Bonds.

As result of obtaining the Policy, the long-term ratings on the Bonds will be dependent in part on the financial strength of AGM and its claim paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Bonds insured by AGM will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

Neither the School District nor Underwriter have made independent investigations into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the School District to pay principal and interest on the Refunding Bonds, and the claims paying ability of AGM, particularly over the life of the investment.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the School District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien secures all bonds of the School District, including the Bonds, issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. However, the statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due that are secured by the statutory lien.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Beneficial Owners will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Interest on the Bonds accrues from their date of delivery, and is payable on each Bond Payment Date, commencing October 1, 2019. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before September 15, 2019, in which event it shall bear interest from the date of delivery. The Bonds are issuable in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on October 1, in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the designated office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See also "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" attached hereto.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

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

Assured Guaranty Municipal Corp. AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At March 31, 2019:

The policyholders' surplus of AGM was approximately $2,523 million.

The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,054 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "THE BONDS – Bond Insurance – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

Paying Agent

The Sacramento County Department of Finance will act as the Paying Agent for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC.

The School District has 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 Bonds. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" attached hereto.

Redemption

Optional Redemption. The Bonds maturing on or before October 1, 2023, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after October 1, 2029, are subject to redemption prior to their respective stated maturity dates, at the option of the School District, from any source of available funds, as a whole or in part on any date on or after October 1, 2026, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on October 1, 2044 (the "Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on October 1 of each year, on and after October 1, 2041, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Term Bonds to be so redeemed, the dates therefor, and the final principal payment date are as indicated in the following table:

Redemption Date (October 1)	Principal Amount
2041	$16,490,000
2042	18,475,000
2043	19,630,000
2044[1]	20,840,000

[1] Maturity.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds, if less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in any order of maturity selected by the School District or, if not so selected, in the inverse order of maturity. If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by the Paying Agent as directed by the School District, and if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any such Bond to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds (a "Redemption Notice") will be mailed, postage-prepaid, not less than 20 but not more than 45 days prior to the redemption date (i) by registered or certified mail to the respective registered owners thereof at the addresses appearing on the bond registration books, (ii) by registered or certified mail or overnight delivery service to the Securities Depository described below, and (iii) by registered or certified mail, telephonically confirmed transmission or overnight delivery service to one or more of the Information Services described below. Such Redemption Notice shall be given to such other persons as may be required pursuant to the Continuing Disclosure Certificate (as defined herein).

Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate, and stated maturity date of each Bond to be redeemed in whole or in part. Such notice will further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto will cease to accrue.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the School District may specify in writing to the Paying Agent or as the Paying Agent may select.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent to the effect that a Redemption Notice has been given as provided in the Resolution and summarized above will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. The Redemption Notice may state that no representation is made as to the accuracy or correctness of CUSIP numbers printed thereon.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance" herein, such notice shall state that such redemption shall be conditional upon the receipt by an independent escrow agent selected by the School District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of and interest on such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect, no portion of the Bonds shall be subject to redemption on such date and such Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption shall not be made and the Paying Agent shall within a reasonable time thereafter give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the School District has the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent shall distribute a notice of the rescission of such notice in the same manner as such notice was originally provided.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the School District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption notice. If a Redemption Notice is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) have been set aside as described in "— Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the optional redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, are held in trust as described in "— Defeasance" herein so as to be available therefor on such redemption date, and if Redemption Notice thereof has been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be so redeemed.

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

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the School District an amount of cash which together with amounts transferred from the Debt Service Fund, if any, is sufficient to pay all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premium, if any); or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the School District noncallable Government Obligations together with amounts transferred from the Debt Service Fund and cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, interest thereon and redemption premium, if any) at or before their maturity date;

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

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (i) a bank or trust company acts as custodian and holds the underlying United States obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (iii) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody's Investor Service ("Moody's") or S&P Global Ratings ("S&P").

Registration, Payment and Exchange of Bonds

So long as any of the Bonds remain Outstanding, the School District will cause the Paying Agent to maintain and keep at its designated corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution. Subject to the provisions described below, the person in whose name a Bond is registered on the bond register will be regarded as the absolute Owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond shall be made only to or upon the order of such Owner; neither the School District nor the Paying Agent shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the School District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds will be payable upon maturity or redemption upon surrender at the principal corporate trust office of the Paying Agent. The principal of, premiums, if any, and interest on, the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Any Bond may be exchanged for Bonds of like Series, tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal corporate trust office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new bond or bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the School District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable Redemption Notice is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount	$150,000,000.00
Original Issue Premium	13,217,891.95
Total Sources	$163,217,891.95
Uses of Funds	
Deposit to Building Fund	$149,600,000.00
Deposit to Debt Service Fund	12,004,379.35
Costs of Issuance(1)	1,613,512.60
Total Uses	$163,217,891.95

(1) Includes all costs of issuance related to the Bonds, including but not limited to the underwriting discount, municipal advisory and legal fees, rating agencies fees, printing costs, demographics fees, bond insurance premium and the costs and fees of the Paying Agent.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions), as well as the outstanding debt service with respect to bonds previously issued for the Improvement District.

Period Ending October 1	Prior Outstanding Bonds[(1)(2)]	Annual Principal Payment[(2)]	Annual Interest Payment[(2)]	Total Annual Debt Service
2019	$3,780,839.80	--	$1,017,530.83	$4,798,370.63
2020	4,301,339.80	--	6,005,100.00	10,306,439.80
2021	5,516,089.80	--	6,005,100.00	11,521,189.80
2022	6,402,216.70	$410,000.00	6,005,100.00	12,817,316.70
2023	7,271,158.50	100,000.00	5,984,600.00	13,355,758.50
2024	8,237,165.70	--	5,979,600.00	14,216,765.70
2025	6,371,371.10	--	5,979,600.00	12,350,971.10
2026	7,085,371.10	--	5,979,600.00	13,064,971.10
2027	7,113,121.10	--	5,979,600.00	13,092,721.10
2028	7,379,996.10	--	5,979,600.00	13,359,596.10
2029	7,310,839.86	455,000.00	5,979,600.00	13,745,439.86
2030	7,555,502.36	635,000.00	5,961,400.00	14,151,902.36
2031	7,719,164.86	915,000.00	5,936,000.00	14,570,164.86
2032	8,256,827.36	845,000.00	5,899,400.00	15,001,227.36
2033	8,063,489.86	1,520,000.00	5,865,600.00	15,449,089.86
2034	11,543,902.36	1,400,000.00	5,804,800.00	18,748,702.36
2035	721,137.50	8,175,000.00	5,748,800.00	14,644,937.50
2036	724,887.50	9,415,000.00	5,421,800.00	15,561,687.50
2037	912,062.50	10,535,000.00	5,045,200.00	16,492,262.50
2038	911,331.26	11,915,000.00	4,623,800.00	17,450,131.26
2039	914,362.50	13,360,000.00	4,147,200.00	18,421,562.50
2040	910,950.00	14,885,000.00	3,612,800.00	19,408,750.00
2041	916,300.00	16,490,000.00	3,017,400.00	20,423,700.00
2042	--	18,475,000.00	2,357,800.00	20,832,800.00
2043	--	19,630,000.00	1,618,800.00	21,248,800.00
2044	--	20,840,000.00	833,600.00	21,673,600.00
Total	$119,919,427.62	$150,000,000.00	$126,789,430.83	$396,708,858.45

(1) Includes debt service on bonds of the Improvement District that were refunded on a crossover basis, and which, until the October 1, 2019 crossover date, will continue to be payable from *ad valorem* property taxes within the Improvement District. Also includes debt service on crossover refunding bonds issued to refund such bonds, which until such October 1, 2019 crossover date, are payable solely from an escrow account established therefor. See "SCHOOL DISTRICT FINANCIAL INFORMATION – School District Debt Structure – Improvement District No. 3—General Obligation Bonds" herein.

(2) Interest payments will be made semiannually on April 1 and October 1 of each year, commencing October 1, 2019. Principal payments will be made on October 1 of each year.

APPLICATION OF PROCEEDS OF THE BONDS

The Bonds are being issued to finance the acquisition, construction and modernization of School District sites and facilities within the Improvement District, and to pay the costs of issuance of the Bonds. The net proceeds from the sale of the Bonds will be paid to the County to the credit of a building fund (the "Building Fund") created by the Resolution and held by the County, and will be applied solely for the purposes for which the Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the School District, will be transferred from the Building Fund to the Debt Service Fund and applied to the payment of the principal of and interest on the Bonds.

Any premium received by the School District from the sale of the Bonds, as well as *ad valorem* property taxes levied for the payment of the Bonds, when collected, shall be kept separate and apart in a debt service fund created by the Resolution and held by the County (the "Debt Service Fund") and used only for payment of principal of and interest on the Bonds. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the School District as provided and permitted by law.

Moneys in the Building Fund and Debt Service Fund will be invested through the County's commingled investment pool. See "APPENDIX G – SACRAMENTO COUNTY INVESTMENT POOL" attached hereto.

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

Property taxes within the Improvement District are assessed and collected by the County at the same time and on the same rolls as the special district property taxes. Assessed valuations are the same for both the School District and the County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the Improvement District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Unsecured property comprises certain property not attached to land such as personal property or business property. Boats and airplanes are examples of such property. Unsecured property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the County Director of Finance. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% 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 Director of Finance.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts (as defined herein) share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation

The table on the following page shows the assessed valuation of property within the Improvement District from fiscal year 2009-10 through fiscal year 2018-19, each as of the date the equalized assessment roll is established in August of each year.

ASSESSED VALUATION
Fiscal Years 2009-10 through 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	Local Secured	Utility	Unsecured	Total	Annual % Change
2009-10	$1,454,082,730	$18,216	$288,117,219	$1,742,218,165	--
2010-11	1,355,700,577	24,749,216	251,061,496	1,631,511,289	(1.50)%
2011-12	1,312,799,345	8,106,000	233,095,173	1,554,000,518	(6.35)
2012-13	1,256,511,430	10,375,273	236,904,592	1,503,791,295	(4.75)
2013-14	1,271,598,420	9,938,367	255,784,653	1,537,321,440	(3.23)
2014-15	1,234,307,950	10,019,730	251,714,887	1,496,042,567	2.23
2015-16	1,321,198,009	11,618,960	208,886,507	1,541,703,476	3.05
2016-17	1,455,786,149	11,995,025	203,933,415	1,671,714,589	8.43
2017-18	1,445,425,664	12,532,160	245,101,343	1,703,059,167	1.87
2018-19	1,640,119,418	15,162,518	253,248,989	1,908,530,925	12.06

Source: California Municipal Statistics, Inc.; percentages calculated by the School District's Municipal Advisor.

Economic and other factors beyond the School District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or man-made disaster, such as earthquake, drought, wildfire, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the Improvement District. Any such reduction would result in a corresponding increase in the annual tax rates levied to pay the debt service with respect to the Bonds. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "THE BONDS – Security and Sources of Payment" herein.

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, wildfire, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the County Assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

The School District does not have information regarding pending appeals of assessed valuation of property within the Improvement District. No assurance can be given that future property tax appeals, or actions by the County Assessor, will not significantly reduce the assessed valuation of property within the Improvement District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

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Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the Improvement District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the Improvement District. See also "THE IMPROVEMENT DISTRICT – Residential Development Within the Improvement District" herein.

ASSESSED VALUATION PER PARCEL OF SINGLE-FAMILY HOMES
Fiscal Year 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	429	$167,894,480	$391,362	$429,208

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	0	0.000%	0.000%	$0	0.000%	0.000%
25,000 - 49,999	0	0.000	0.000	0	0.000	0.000
50,000 - 74,999	0	0.000	0.000	0	0.000	0.000
75,000 - 99,999	53	12.354	12.354	4,643,381	2.766	2.766
100,000 - 124,999	1	0.233	12.587	118,398	0.071	2.836
125,000 - 149,999	2	0.466	13.054	291,796	0.174	3.010
150,000 - 174,999	6	1.399	14.452	1,003,874	0.598	3.608
175,000 - 199,999	6	1.399	15.851	1,121,983	0.668	4.276
200,000 - 224,999	4	0.932	16.783	855,188	0.509	4.786
225,000 - 249,999	0	0.000	16.783	0	0.000	4.786
250,000 - 274,999	1	0.233	17.016	260,534	0.155	4.941
275,000 - 299,999	3	0.699	17.716	870,307	0.518	5.459
300,000 - 324,999	4	0.932	18.648	1,225,784	0.730	6.189
325,000 - 349,999	2	0.466	19.114	672,630	0.401	6.590
350,000 - 374,999	11	2.564	21.678	4,028,388	2.399	8.989
375,000 - 399,999	54	12.587	34.266	21,037,773	12.530	21.519
400,000 - 424,999	52	12.121	46.387	21,471,019	12.788	34.308
425,000 - 449,999	68	15.851	62.238	29,675,922	17.675	51.983
450,000 - 474,999	69	16.084	78.322	31,893,369	18.996	70.979
475,000 - 499,999	39	9.091	87.413	19,064,736	11.355	82.335
500,000 and greater	54	12.587	100.000	29,659,398	17.665	100.000
Total	429	100.000%		$167,894,480	100.000%	

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

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the Improvement District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19. See also "THE IMPROVEMENT DISTRICT – Residential Development Within the Improvement District" herein.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Rural/Undeveloped	$96,474,475	5.88%	101	5.98%
Commercial	137,866,075	8.41	43	2.55
Vacant Commercial	35,234,355	2.15	17	1.01
Professional/Office	29,163,859	1.78	16	0.95
Industrial	800,139,415	48.79	543	32.17
Vacant Industrial	41,271,592	2.52	131	7.76
Recreational	7,093,214	0.43	3	0.18
Government/Social/Institutional	285,213	0.02	71	4.21
Subtotal Non-Residential	$1,147,528,198	69.97%	925	54.80%
Residential:				
Single Family Residence	$167,894,480	10.24%	429	25.41%
Mobile Home	59,915	0.00	7	0.41
Mobile Home Park	721,921	0.04	1	0.06
Hotel/Motel	41,930,466	2.56	8	0.47
5+ Residential Units/Apartments	59,849,010	3.65	1	0.06
Vacant Residential	222,135,428	13.54	317	18.78
Subtotal Residential	$492,591,220	30.03%	763	45.20%
Total	$1,640,119,418	100.00%	1,688	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction. The following table shows an analysis of the distribution of taxable property in the Improvement District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Jurisdiction:	Assessed Valuation in Imp. District	% of Imp. District	Assessed Valuation of Jurisdiction	% of Jurisdiction in Imp. District
City of Folsom	$320,017,100	16.77%	$13,800,122,148	2.32%
City of Rancho Cordova	1,124,496,614	58.92	$8,658,811,202	12.99%
Unincorporated Sacramento County	464,017,211	24.31	$58,456,133,790	0.79%
Total District	$1,908,530,925	100.00%		
Sacramento County	$1,908,530,925	100.00%	$161,119,543,526	1.18%

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The following table shows secured *ad valorem* property taxes for the payment of bonded indebtedness of the Improvement District, and amounts delinquent as of June 30, for fiscal years 2013-14 through 2017-18.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2013-14 through 2017-18
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2013-14	$1,443,951	$14,889	1.03%
2014-15	1,615,370	34,606	2.14
2015-16	1,511,331	19,060	1.26
2016-17	1,844,893	7,254	0.39
2017-18	2,733,878	12,033	0.44

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment

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

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

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

The *ad valorem* property taxes to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The School District will receive 100% of the *ad valorem* property tax levied to pay all of the outstanding general obligation bonds, including the Bonds, irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the School District) for which the County acts as the tax-levying or tax-collecting agency.

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Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in typical tax rate areas (each, a "TRA") within the Improvement District during the period from fiscal year 2014-15 to fiscal year 2018-19.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2014-15 through 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

TRA-4-030 (within the City of Folsom)[(1)]

	2014-15	2015-16	2016-17	2017-18	2018-19
General Countywide	1.0000%	1.0000%	1.0000%	1.00000%	1.00000%
Los Rios Community College District	.0113	.0091	.0141	.01300	.01310
City of Folsom	.0133	.0123	.0073	--	--
Folsom Cordova Unified School District SFID No. 2	.0343	.0155	.0292	.02580	.02810
Folsom Cordova Unified School District SFID No. 3	.1229	.1129	.1259	.18780	.14510
Total	1.1818%	1.1498%	1.1765%	1.22660%	1.18630%

TRA 8-80 (within the City of Rancho Cordova)[(2)]

	2014-15	2015-16	2016-17	2017-18	2018-19
General Countywide	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0113	.0091	.0141	.01300	.01310
Folsom Cordova Unified School District SFID No. 1	.0832	.0506	.0619	.05660	.05550
Folsom Cordova Unified School District SFID No. 3	.1229	.1129	.1259	.18780	.14510
Total	1.2174%	1.1726%	1.2019%	1.2574%	1.2137%

TRA 52-032 (within unincorporated Sacramento County)[(3)]

	2014-15	2015-16	2016-17	2017-18	2018-19
General Countywide	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0113	.0091	.0141	.01300	.01310
Folsom Cordova Unified School District SFID No. 1	.0832	.0506	.0619	.05660	.05500
Folsom Cordova Unified School District SFID No. 3	.1229	.1129	.1259	.18780	.14510
Total	1.2174%	1.1726%	1.2019%	1.2574%	1.2137%

(1) TRA 04-030 has a fiscal year 2018-19 assessed valuation of 56,018,643.
(2) TRA 8-80 has a fiscal year 2018-19 assessed valuation of $290,507,842.
(3) TRA 52-032 has a fiscal year 2018-19 assessed valuation of $172,573,621.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within the Improvement District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table presents information on the largest property taxpayers within the Improvement District for fiscal year 2018-19. Each taxpayer listed below is a unique name listed on the tax rolls. The School 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.

LARGEST LOCAL SECURED PROPERTY TAXPAYERS
Fiscal Year 2018-19
Folsom Cordova Unified School District
School Facilities Improvement District No. 3

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Aerojet General Corp.	Industrial	$175,942,258	10.73%
2.	Oakmont Props Oak Brook LLC	Apartments	59,849,010	3.65
3.	Mangini Improvement Company Inc.	Residential Development	43,909,167	2.68
4.	Folsom Real Estate South LLC	Residential Development	38,385,827	2.34
5.	Elliott Whiterock LLC	Industrial	36,181,994	2.21
6.	TNHC Russell Ranch LLC	Residential Development	32,936,964	2.01
7.	Teledyne Wireless Inc.	Industrial	29,610,888	1.81
8.	Lennar Homes of California Inc.	Residential Development	26,355,975	1.61
9.	Oak Avenue Holdings LLC	Undeveloped	23,548,563	1.44
10.	D Benvenuti Holdings LLC	Industrial	21,822,610	1.33
11.	Price Company	Commercial	19,861,216	1.21
12.	Hillsborough North LLC	Undeveloped	18,706,739	1.14
13.	HV-Houston Development Inc.	Hotel	18,006,436	1.10
14.	Pamela Peterson Living Trust	Commercial	16,151,077	0.98
15.	FJM Sunrise Associates SPE LLC	Industrial	16,034,559	0.98
16.	Ethan Conrad	Commercial	15,112,019	0.92
17.	Easton Vly Holdings LLC	Undeveloped	13,306,876	0.81
18.	Folsom Property LP	Industrial	13,005,000	0.79
19.	SFC Leasing LP	Industrial	12,897,205	0.79
20.	Gragg Ranch Recovery Acquisition LLC	Undeveloped	12,522,118	0.76
			$644,146,501	39.27%

(1) The fiscal year 2018-19 local secured assessed valuation of the Improvement District is $1,640,119,418.
Source: California Municipal Statistics, Inc.

Aerojet General Corporation is the predecessor to Aerojet Rocketdyne Holdings, Inc., dba Aerojet Rocketdyne (collectively, "Aerojet"). Aerojet was formed in 2013 following the merger of Aerojet General Corporation and Pratt & Whitney Rocketdyne. Aerojet is the largest secured taxpayer within the Improvement District, representing approximately 10.73% of the Improvement District's total secured assessed valuation for fiscal year 2018-19.

Aerojet is a manufacturer of aerospace and defense products and systems which develops and manufactures propulsion systems for defense and space applications, and armaments for precision tactical and long-range weapon systems applications. Aerojet also has a real estate segment that includes activities related to the re-zoning, entitlement, sale, and leasing of excess real estate assets. According to its annual report for the fiscal year December 31, 2018, Aerojet reported $1.90 billion of adjusted sales, and $304.9 million in earnings before interest, taxes, depreciation, amortization and pension income. For additional information, see https://ir.aerojetrocketdyne.com/financial-information/annual-reports. However, the information presented on such website is not incorporated herein by reference.

Aerojet's primary aerospace and defense customers include the United States Department of Defense (the "DoD") and its agencies, the National Aeronautics and Space Administration ("NASA"), and the prime contractors that supply products to these customers. As a result, Aerojet relies on particular levels of U.S. government spending on propulsion systems for defense, space and armament systems which in turn relies in large part on continued funding by the U.S. government for the programs in which Aerojet is involved. These spending levels are not generally correlated with any specific economic cycle, but rather follow the cycle of general public policy and political support for this type of spending. Moreover, although Aerojet's contracts often contemplate that its services will be performed over a period of several years, the U.S. Congress must appropriate funds for a given program, and the U.S. President must sign such appropriations into law in each governmental fiscal year, and such appropriations may significantly change, increase, reduce or eliminate, funding for a program. A decrease in DoD and/or NASA expenditures, the elimination or curtailment of a material program in which Aerojet is involved, or changes in payment patterns of Aerojet's customers as a result of changes in U.S. government spending, could have a material adverse effect on its operating results, financial condition, and/or cash flows.

Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report regarding the Improvement District (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of July 1, 2019. The Debt Report is included for general information purposes only. The School District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

2018-19 Assessed Valuation: $1,908,530,925

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 7/1/19**
Los Rios Community College District	0.976%	$3,866,814
Folsom-Cordova Unified School District School Facilities Improvement District No. 1	20.797	4,083,914
Folsom-Cordova Unified School District School Facilities Improvement District No. 2	2.683	498,031
Folsom-Cordova Unified School District School Facilities Improvement District No. 3	**100.000**	**43,886,053**(1)
City of Folsom Community Facilities District Nos. 17, 19, 20	100.000	48,075,000
City of Rancho Cordova Community Facilities District No. 2005-1	100.000	19,475,000
Sacramento Area Flood Control Consolidated Capital Assessment District	0.006	16,404
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$119,901,216
OVERLAPPING GENERAL FUND DEBT:		
Sacramento County General Fund Obligations	1.185%	$2,062,226
Sacramento County Pension Obligation Bonds	1.185	10,495,190
Sacramento County Board of Education Certificates of Participation	1.185	47,104
Sacramento Metropolitan Fire District General Fund and Pension Obligation Bonds	2.468	1,377,736
Folsom-Cordova Unified School District Certificates of Participation	9.069	585,404
City of Folsom General Fund Obligations	2.319	44,780
City of Rancho Cordova Certificates of Participation	12.987	1,950,647
Cordova Recreation and Park District General Fund Obligations	10.454	785,527
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$17,348,614
Less: Sacramento County supported obligations		202,013
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$17,146,601
GROSS COMBINED TOTAL DEBT		$137,249,830(2)
NET COMBINED TOTAL DEBT		$137,047,817

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($43,886,053)..2.30%
Total Direct and Overlapping Tax and Assessment Debt 6.28%
Gross Combined Total Debt 7.19%
Net Combined Total Debt...7.18%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem *property tax levied in the Improvement District for the payment thereof. (See "THE BONDS – Security and Sources of Payment" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, 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 County Board to levy taxes and the ability of the School District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County Board to levy taxes for payment of the Bonds. The taxes levied for payment of the Bonds were approved by the voters within the Improvement District in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

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

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

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State legislature (the "Legislature") to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the School 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 SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the School District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the School District is not a basic aid/community supported district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "SCHOOL DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

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 or community college district (collectively, "K-14 school districts"), authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

(a) "change in the cost of living" with respect to K-14 school districts to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a K-14 school district to mean the percentage change in the ADA of such district from the preceding fiscal year.

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State 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 State 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 State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution 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.

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-14 school districts at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The 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.

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

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

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

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

e. School Funding Guarantee. A complex adjustment was made to 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 ("Test 1") 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 ("Test 2"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test ("Test 3"), which will replace Test 2 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. Under Test 3, K-14 school districts 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a credit to schools (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends 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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. The State may shift from 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 amends 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, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was projected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 30 and Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

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

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the State Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the State Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The School District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Bonds are payable from *ad valorem* taxes to be levied within the Improvement District pursuant to the State Constitution and other State law. Accordingly, the School District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in State general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter schools ($500 million) and technical education facilities ($500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, school districts that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

The School District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting School District revenues or the School District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the School District.

THE IMPROVEMENT DISTRICT

Authorization and Establishment

The Board, at a meeting held on June 8, 2006, approved a Resolution of Intention to establish Improvement No. 3 and called a public hearing on the matter. Following the conclusion of a public hearing conducted by the School District on June 22, 2006, Improvement No. 3 was established by the Board pursuant to its Resolution No. 06-08-06-44 and Chapter 2 of Part 10 of Division 1 of Title 1 of the State Education Code, commencing with Section 15300 *et seq*. (the "SFID Act").

Location and Territory

The Improvement District is located in the southeastern portion of the School District, and consists of territory east of Sunrise Boulevard and west of the El Dorado County line. The area of the Improvement District includes areas of the School District that are also part of Improvement District No. 1 (defined herein) and Improvement District No. 2 (defined herein). See "APPENDIX A – BOUNDARY MAP OF IMPROVEMENT DISTRICT NO. 3" attached hereto. The area of the Improvement District is about 52.6 square miles, representing about 54.8% of the territory of the School District, and includes a portion of the City of Rancho Cordova, a portion of the City of Folsom and adjacent unincorporated areas of the County.

Residential Development within the Improvement District

The following describes certain approved, master-planned communities located within the Improvement District. However, the School District can make no representation as to whether such communities will be fully developed or that approved plans for these planned communities will not be amended.

Folsom Ranch. Also referred to the "Folsom Planning Area," Folsom Ranch is a comprehensive, mixed-use planned community comprising approximately 3,500 acres of land south of Highway 50, between Prairie City Road, White Rock Road and the El Dorado County line. The Folsom Plan Area Specific Plan approved by the City Council of Folsom would permit the construction of approximately 11,461 residential units developed across a broad range of residential types, including single family detached homes, duplexes and patio homes as well as a range of multi-family residential housing types including townhomes, apartments, condominiums. Construction of infrastructure for new homes commenced in 2017, with the first homes built for occupancy in 2018. Approximately 159 homes have been constructed and either transferred to end buyers or are in escrow. There are approximately 112 additional homes currently under construction.

Rio Del Oro. Rio Del Oro is a master planned, mixed-use community located north of Douglas Road and south of White Rock Road. The Rio Del Oro Specific Plan approved by the City Council of Rancho Cordova would permit the construction of approximately 12,189 residential units, including single family homes and medium to high density housing. Infrastructure work will begin in 2019, with construction of the first homes beginning in calendar year 2020.

Glenborough. Glenborough is a master planned, mixed-use community consisting of 1,200 acres located east of Aerojet Road and west of Prairie City Road. The Glenborough Land Use Master Plan approved by the County Board would permit the construction of approximately 3,239 units with a mix of low, medium and high-density housing. Infrastructure work will begin in 2019, with construction beginning in the calendar year 2020.

Easton Place. Easton Place is a master planned, mixed-use community consisting of 183 acres located south of Highway 50, and adjacent to the Glenborough development. The Easton Plan Land Use Master Plan approved by the County Board would permit the construction of approximately 1,644 residential units. Based on information provided by local developers, the School District anticipates the development of infrastructure to begin in 2021.

North Douglas. North Douglas is part of the 2,632-acre SunRidge Specific Plan Area consisting of 130 acres located north of Douglas Road and adjacent to the Rio del Oro development. The SunRidge Specific Plan was approved by the Board of Supervisors of Sacramento County and would permit the construction of 665 residential units. Residential construction began in 2015 and 539 units have been constructed to date and either transferred to end buyers or are in escrow. There are approximately 76 additional houses currently under construction. The School District anticipates the completion of the project in 2020.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

Introduction

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

The School District was established in 1949 and is a unified school district serving students in grades K-12. The School District operates 32 schools, including 20 elementary schools, four middle schools, three comprehensive high schools, four alternative high schools and one dependent charter elementary school. The School District also operates 14 preschool programs at eight sites, transitional kindergarten programs at six sites, a Montessori program at one site, 14 child care centers and an adult education program. For fiscal year 2019-20, the School District has projected an enrollment of 20,610 students and an ADA of 19,683 students. Taxable property with the School District has a total fiscal year 2018-19 assessed valuation of $21.1 billion.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the School District. Additional information concerning the School District and copies of the most recent and subsequent audited financial reports of the School District may be obtained by contacting the Assistant Superintendent, Business Services, Folsom Cordova Unified School District, 1965 Birkmont Drive, Rancho Cordova, California, 95742, (916) 294-9004. The School District may impose a charge for copying, mailing and handling.

Administration

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

Board Member	Office	Term Expires
JoAnne Reinking	President	December 2020
Chris Clark	Vice President	December 2020
Josh Hoover	Clerk	December 2022
David Reid	Member	December 2022
Ed Short	Member	December 2022

The management and policies of the School District are administered by a Superintendent appointed by the Board, who is responsible for the day-to-day School District operations as well as the supervision of the School District's other personnel. Brief biographies of the Superintendent, the Assistant Superintendent, Business Services and the Chief Operations Officer are listed below.

Dr. Sarah Koligian. Dr. Koligian was appointed as Superintendent of the School District on July 1, 2017. Previously, Dr. Koligian served as the Superintendent of the Tulare Joint Union High School District for six years. Her other prior positions include serving the Golden Valley Unified School District as Superintendent, and the Central Unified School District as an Assistant Superintendent, Associate Superintendent and teacher. Dr. Koligian has over 30 years of experience as an educator. She earned her undergraduate and postgraduate degrees at California State University, Fresno, including a Bachelor of Arts degree in Business Administration, her teaching and administrative credentials, and a Doctor of Education degree in Educational Leadership. Dr. Koligian is also a graduate of the Association of California School Administrators' (ACSA) Superintendent's Academy, and has completed the California School Boards Association Master's in Governance Program.

Rhonda Crawford, Assistant Superintendent, Business Services. Ms. Crawford has served as Assistant Superintendent, Business Services since 2010. Ms. Crawford previously served as the Director of Fiscal Services from 2003 through 2010. She has over 30 years of school district financial management experience. Ms. Crawford has previously been employed by the Sylvan Union School District, California State University, Stanislaus, and the Grant Joint Union High School District. Ms. Crawford earned both a Bachelor of Science degree and Master of Arts degree in Business Administration from California State University, Stanislaus, and a Chief Business Official Certification from California Association of School Business Officials.

Matt Washburn, Chief Operations Officer. Mr. Washburn has served as Chief Operations Officer of the District since July of 2018. Previously, he served the District as Director of Facilities Development for almost 20 years. Mr. Washburn has over 30 years of school facilities planning experience and was previously employed by the Grant Joint Union High School District and the Stockton Unified School District. Mr. Washburn earned a Bachelor of Science degree in Geography with an option in Rural and Regional Planning and Development from California State University, Chico.

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Enrollment

The following table shows a 10-year enrollment history for the School District, together with projections through fiscal year 2020-21.

ANNUAL ENROLLMENT
Fiscal Years 2009-10 through 2020-21
Folsom Cordova Unified School District[1]

Year	Enrollment[2]	Annual Change	Annual % Change
2009-10	19,182	63	--
2010-11	18,893	(289)	(1.50)
2011-12	19,154	261	1.38
2012-13	19,117	(37)	(0.19)
2013-14	19,356	239	1.25
2014-15	19,527	171	0.88
2015-16	19,833	306	1.57
2016-17	20,308	475	2.39
2017-18	20,347	39	0.19
2018-19	20,560	213	1.05
2019-20[3]	20,610	50	0.24
2020-21[3]	20,610	--	--

(1) For fiscal years 2009-10 through 2018-19, includes enrollment of the dependent K-8 charter school operating within the boundaries of the School District, the Folsom Cordova Community Charter School.
(2) Enrollment for most years prior to fiscal year 2013-14 are as of October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year. CALPADS figures generally exclude preschool and adult transitional students.
(3) Projected.
Source: Folsom Cordova Unified School District.

Labor Relations

As of January 1, 2019, the School District employed 1,217 full-time equivalent ("FTE") certificated and administrative employees, and 954 FTE classified employees. School District employees, except management employees and some part-time employees, are represented by two bargaining units as noted below. Members of these bargaining units are working under the terms of their expired contracts while new agreements are negotiated.

LABOR BARGAINING UNITS
Folsom Cordova Unified School District

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Folsom Cordova Educational Association	1,328	June 30, 2020
California School Employees Association	1,314	June 30, 2020

Source: Folsom Cordova Unified School District.

School District Retirement Systems

The information set forth below regarding the School District's retirement programs, other than the information provided by the School 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 the School District.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The School District's contributions to STRS were $9,373,731 in fiscal year 2015-16, $11,626,538 in fiscal year 2016-17, $14,295,673 in fiscal year 2017-18 and $16,233,151 in fiscal year 2018-19. The School District projects $17,908,065 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The School District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

The School District's contributions to PERS were $3,120,041 in fiscal year 2015-16, $4,410,042 in fiscal year 2016-17, and $5,317,520 in fiscal year 2017-18 and $5,727,098 in fiscal year 2018-19. The School District projects $7,138,369 for its contribution to PERS for fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(4)]	--[(4)]
2014-15	73,325	56,814	16,511	--[(4)]	--[(4)]
2015-16	77,544	55,785	21,759	--[(4)]	--[(4)]
2016-17	84,416	60,865	23,551	--[(4)]	--[(4)]
2017-18[(5)]	92,071	64,846	27,225	--[(4)]	--[(4)]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The School District can make no representations regarding the future program liabilities of STRS, or whether the School District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The School District can also provide no assurances that the School District's required contributions to PERS will not increase in the future.

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 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the School District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the School District reported its proportionate shares of the net pension liabilities for the STRS and PERS programs to be $159,188,000 and $59,526,000, respectively. See also "APPENDIX B – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT – Note 7" and "—Note 8" attached hereto.

Post-Employment Medical Benefits

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

Funding Policy. The School District currently maintains a non-GASB qualifying internal fund (the "OPEB Fund") to begin funding its accrued liability for the Benefits. The School District currently deposits into the OPEB Fund the annual pay-go amount that covers the cost of current retiree premiums, plus an amount equal to 1% of current payroll. The School District contributed $1,918,727 in fiscal year 2015-16, $1,920,878 in fiscal year 2016-17, $2,233,488 in fiscal year 2017-18 and $2,724,245 in fiscal year 2018-19. The School District has budgeted a contribution of $2,294,064 to the OPEB Fund in fiscal year 2019-20.

The OPEB Fund currently has a balance of $14,101,639. However, the OPEB Fund has not been irrevocably pledged towards the Benefits, and could be accessed for other purposes upon Board action.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 (each, "GASB 74" and "GASB 75") with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the Net OPEB Liability and a sensitivity analysis of the Net OPEB Liability to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the Total OPEB Liability, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB 74 requirements, a projection of the benefit payments and future Fiduciary Net Position is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB. The Fiduciary Net Position measures the value of trust assets, adjusted for payees and receivables. See also "APPENDIX B – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 9" attached hereto.

Actuarial Study. The School District's most recent actuarial study calculated the School District's accrued liability in accordance with GASB No. 74 and GASB No. 75. The study concluded that, as of a June 30, 2017 valuation date, the School District's Total OPEB Liability was $22,070,218, its Fiduciary Net Position was $0 and its Net OPEB Liability was $22,070,218.

Risk Management

The School District is exposed to various risks of loss related to property, general liability, workers' compensation and employee benefits. These risks are addressed through a combination of commercial insurance and participation in certain public entity risk pools.

The School District participates in a joint powers agreement with the Schools Insurance Authority ("SIA"), which arranges for and provides property and liability insurance to its member school districts. The School District pays a premium commensurate with the levels of coverage requested. SIA is governed by a board consisting of members elected from the participating districts, which control its operations independent of any influence by the School District beyond the School District's representation on the governing board. SIA is independently accountable for its fiscal matters, and it not a component of the School District for financial reporting purposes.

Settled claims have not exceeded available insurance coverages in the past three fiscal years. Based upon prior claims experience, the School District believes that it has adequate insurance coverage. For further information, see "APPENDIX B – THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT – Note 10" attached hereto.

SCHOOL DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform funding grants assigned to certain grade spans. See "— Local Control Funding Formula" herein.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for 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 early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the School District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2018-19, and projected amounts for fiscal year 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2019-20
Folsom Cordova Unified School District

	Average Daily Attendance[1]					Enrollment[2]	
Fiscal Year	**K-3**	**4-6**	**7-8**	**9-12**	**Total ADA**	**Total Enrollment[3]**	**% of EL/LI Enrollment[3]**
2013-14	5,753	4,437	2,838	5,368	18,396	19,356	38.2%
2014-15	5,596	4,392	2,892	5,540	18,420	19,527	37.2
2015-16	5,750	4,476	2,941	5,735	18,903	19,833	36.9
2016-17	5,774	4,564	3,001	5,959	19,298	20,308	35.7
2017-18	5,825	4,513	2,962	6,059	19,359	20,347	37.8
2018-19	5,891	4,437	2,956	6,373	19,657	20,560	38.0
2019-20[4]	5,883	4,432	3,034	6,334	19,683	20,610	38.7

(1) Except for fiscal year 2019-20, reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to CALPADS in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years. Includes the enrollment of the dependent charter school operating within the boundaries of the School District.
(4) Projected.
Source: Folsom Cordova Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The School District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts, including the School District, receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "community supported" or "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The School District does not currently qualify as a basic aid district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be updated annually. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts in meeting the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP or annual update thereto, and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its applicable county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district with identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts with achieving the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the School District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Funding Sources

Federal Government and Other Local Revenues. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district's budget can come from local sources other than property taxes, including but not limited to interest income, leases and rentals, interagency services, developer fees, foundations, donations and sales of property.

The California lottery is another source of funding for school districts, providing approximately 1% to 3% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

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Developer Fees. The School District maintains a fund, separate and apart from its general fund, to account for developer fees assessed by the School District on residential and commercial development. Developer fee revenue may only be used to construct or modernize school facilities to accommodate growths in enrollment. The following table lists the historical developer fees received by the School District from fiscal years 2012-13 through 2018-19, and a projected amount for fiscal year 2019-20. See also "THE IMPROVEMENT DISTRICT – Residential Development Within the Improvement District" herein.

DEVELOPER FEES
Fiscal Years 2012-13 through 2019-20
Folsom Cordova Unified School District

Fiscal Year	Developer Fees Collections
2012-13	$4,395,341
2013-14	5,443,235
2014-15	6,269,918
2015-16	5,698,819
2016-17	7,159,082
2017-18	11,429,448
2018-19	12,306,787
2019-20	13,315,000

(1) Projected.
Source: Folsom Cordova Unified School District.

Foundation. The Folsom Cordova Education Foundation (the "Foundation") was founded as a 501(c)(3) fund raising organization in 2009 to support and sustain high quality educational and student support programs for the School District. Under GASB rules, the Foundation is not considered a component unit of the School District for financial reporting purposes. Certain funds received by School District from the Foundation will be deposited into the School District's general fund; however such funds will be earmarked for specific purposes.

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Pass-Through Revenues. The School District receives pass-through revenue from the County in connection with certain redevelopment projects within the County (the "Pass-Through Revenues"). Of the total Pass-Through Revenues received by the School District, 43.3% is deposited into the School District's general fund and offsets State apportionment received by the School District, and 56.7% is deposited into the Capital Facilities Fund and does not offset State apportionment. The amount of Pass-Through Revenues received by the School District from fiscal years 2012-13 through 2018-19, and a projected amount for fiscal year 2019-20, are shown in the following table.

PASS-THROUGH REVENUES
Fiscal Years 2012-13 through 2019-20
Folsom Cordova Unified School District

Fiscal Year	Pass-Through Revenues
2012-13	$177,216
2013-14	675,224
2014-15	307,055
2015-16	304,058
2016-17	414,732
2017-18	461,059
2018-19	547,418
2019-20(1)	405,000

(1) Projected.
Source: Folsom Cordova Unified School District.

Accounting Practices

The accounting policies of the School District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all State school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The School District's general fund finances the legally authorized activities of the School District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The School District's audited financial statements for the year ended June 30, 2018 are included for reference in APPENDIX B attached hereto. Audited financial statements for the School District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the School District and available for public inspection at the office of the Assistant Superintendent, Business Services of the School District, 1965 Birkmont Drive, Rancho Cordova, California, 95742, (916) 294-9004.

The table on the following page reflects the School District's general fund revenues, expenditures and fund balances for fiscal years 2013-14 through 2017-18.

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal years 2013-14 through 2017-18
Folsom Cordova Unified School District

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Revenues					
Revenue Limit/LCFF Sources					
State Apportionments	$76,393,321	$85,663,255	$102,097,306	$107,221,391	$107,639,731
Local Sources	39,280,995	42,199,478	45,155,212	51,473,128	55,777,951
Total Revenue Limit/LCFF Sources	115,674,316	127,862,733	147,252,518	158,694,519	163,417,682
Federal Sources	7,206,647	7,059,529	9,385,163	7,092,228	10,199,438
Other State Sources	19,306,764	21,347,163	33,457,986	28,042,757	28,441,674
Other Local Sources	5,507,040	6,509,788	7,004,026	7,611,807	6,642,317
Total Revenues	147,694,767	162,779,213	197,099,693	201,441,311	208,701,111
Expenditures					
Certificated Salaries	74,984,184	78,148,620	88,002,247	91,637,799	99,137,575
Classified Salaries	26,049,663	27,435,100	30,627,078	31,992,563	34,483,165
Employee Benefits	24,001,072	29,961,435	36,314,406	39,535,152	46,576,782
Books and Supplies	8,660,841	7,631,975	9,529,817	19,690,154	7,793,081
Contract Services and Operating Expenses	14,443,239	15,782,356	18,487,197	20,495,430	20,621,081
Capital Outlay	2,447,298	3,044,294	2,094,745	2,018,833	3,015,309
Debt Service	2,215,207	62,820	62,487	59,736	377,572
Other Outgo	176,118	210,137	222,326	1,109,573	1,337,068
Total Expenditures	152,977,622	162,276,737	185,340,303	206,539,240	213,341,633
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(5,282,855)	502,476	11,759,390	(5,097,929)	(4,640,522)
Other Financing Sources/(Uses)					
Operating Transfers In	477,689	491,581	459,292	414,564	358,087
Operating Transfers Out	(1,572,589)	(2,526,593)	(2,137,354)	(1,150,000)	(1,150,000)
Other Financing Sources (Uses)	--	--	--	--	1,963,900
Total Other Financing Sources/(Uses)	(1,094,900)	(2,035,012)	(1,678,062)	(735,436)	1,171,987
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(6,377,755)	(1,532,536)	10,081,328	(5,833,365)	(3,468,535)
Fund Balance, July 1	34,323,916	27,946,161	26,413,625	36,494,953	30,661,588
Fund Balance, June 30	$27,946,161	$26,413,625	$36,494,953	$30,661,588	$27,193,053

Source: Folsom Cordova Unified School District.

Budget Process

State Budgeting Requirements. The School District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. A school district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the county superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the school district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The School District has never had an adopted budget disapproved by the County superintendent of schools. The School District self-certified as "qualified" its second interim financial report for fiscal year 2008-09 and each of its first and second interim financial reports for fiscal years 2009-10 through 2012-13. The School District received a positive certification for its 1st interim financial report for fiscal year 2013-14 and for each of its interim financial reports delivered thereafter, through and including the second interim financial report for 2018-19. However, in its report to the Board in connection with the adoption of the School District's budget for fiscal year 2019-20 on June 6, 2019, the administration indicated the School District will likely need to file its first interim financial report for fiscal year 2019-20 as "qualified," as well as a projected need to have a Board-approved plan to reduce expenditures in order to meet its fiscal obligations in fiscal year 2021-22.

General Fund Budgeting. The table on the following page summarizes the School District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, ending results for fiscal years 2015-16 through 2017-18, and estimated results for fiscal year 2018-19.

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GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20
Folsom Cordova Unified School District

	Fiscal Year 2015-16[1] Adopted Budget	Fiscal Year 2015-16[1] Actual	Fiscal Year 2016-17[1] Adopted Budget	Fiscal Year 2016-17[1] Actual	Fiscal Year 2017-18[1] Adopted Budget	Fiscal Year 2017-18[1] Actual	Fiscal Year 2018-19[1] Adopted Budget[2]	Fiscal Year 2018-19[1] Estimated[3]	Fiscal Year 2019-20 Adopted Budget[3]
REVENUES									
LCFF/Revenue Limit Sources	$143,382,878	$147,252,518	$154,997,415	$158,694,519	$162,517,447	$163,417,682	$174,628,238	$177,454,435	$183,921,636
Federal Revenue	8,048,527	9,385,163	7,548,290	7,092,228	8,467,592	10,199,438	9,374,463	9,842,827	9,266,395
Other State Revenues	26,688,559	33,457,986	19,951,445	28,042,757	24,425,920	28,441,674	26,087,146	31,696,805	24,899,951
Other Local Revenues	4,329,843	7,004,026	4,976,180	7,611,807	5,671,963	6,642,317	5,452,125	6,645,687	5,685,753
TOTAL REVENUES	182,449,807	197,099,693	187,473,330	201,441,311	201,082,922	208,701,111	215,541,972	225,639,754	223,773,735
EXPENDITURES									
Certificated Salaries	86,334,383	88,002,247	92,634,075	91,637,799	93,440,282	99,137,575	99,965,076	100,173,817	100,993,732
Classified Salaries	30,933,858	30,627,078	32,267,522	31,992,563	33,386,134	34,483,165	35,638,775	35,558,120	36,842,819
Employee Benefits	35,788,646	36,314,406	34,726,548	39,535,152	44,644,452	46,576,782	49,270,177	48,396,439	52,203,109
Books and Supplies	10,612,493	9,529,817	11,129,550	19,690,154	10,087,748	7,793,081	9,651,528	10,635,723	11,262,115
Services and Other Operating Expenses	15,634,447	18,487,197	18,707,573	20,495,430	20,181,137	20,621,081	21,595,850	25,660,668	22,778,067
Capital Outlay	79,000.	2,094,745	768,337	2,018,833	226,252	3,015,309	107,400	876,011	4,165,144
Debt Service	--	62,487	59,736	59,736	--	377,572	--	--	--
Other Outgo	190,631	222,326	238,070	1,109,573	541,502	1,337,068	860,926	1,153,172	1,151,071
Direct Support/Indirect Costs	--	--	--	--	(263,256)	--	(288,928)	(289,845)	(299,571)
Total Expenditures	179,573,458	185,340,303	190,531,411	206,539,240	202,244,251	213,341,633	216,800,804	222,164,105	229,096,486
Excess (Deficiency) Of Revenues Over Expenditures	2,876,349	11,759,390	(3,058,081)	(5,097,929)	(1,161,329)	(4,640,522)	(1,258,832)	3,475,649	(5,322,751)
Other Financing Sources/Uses									
Interfund Transfers In	517,823	459,292	441,454	414,564	93,855	358,087	100,112	103,214	113,212
Proceeds from Capital Lease	--	--	--	--	--	1,963,900	--	--	--
Interfund Transfers Out	(1,494,139)	(2,137,354)	(1,791,874)	(1,150,000)	(1,750,000)	(1,150,000)	(1,965,000)	(1,977,118)	(1,965,000)
Total Other Financing Sources/Uses	(976,316)	(1,678,062)	(1,350,420)	(735,436)	(1,656,145)	1,171,987	(1,864,888)	(1,873,904)	(1,851,788)
Net Increase (Decrease) In Fund Balance	1,900,033	10,081,328	(4,408,501)	(5,833,365)	(2,817,474)	(3,468,535)	(3,123,720)	1,601,745	(7,174,539)
Beginning Fund Balance (July 1)	26,413,625	26,413,625	36,494,953	36,494,953	30,661,588	30,661,588	27,193,053	27,193,053	28,794,798
Ending Fund Balance (June 30)	$28,313,658	$36,494,953	$32,086,452	$30,661,588	$27,844,114	$27,193,053	$24,069,333	$28,794,798	$21,620,259

(1) From the School District's Comprehensive Audited Financial Statements for fiscal years 2013-14 through 2017-18.
(2) From the School District's second interim financial report for fiscal year 2018-19, dated as of March 14, 2019.
(3) From the School District's adopted budget for fiscal year 2019-20, dated June 20, 2019.
Source: Folsom Cordova Unified School District.

State Budget

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

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the "2018-19 Budget"). The following information is drawn from the LAO's review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funded the BSA with a total deposit of over $4.4 billion, including a $2.6 billion optional deposit in addition to the Constitutionally-required deposit, and added two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account ("BDSA"), which for 2018-19 was to temporarily hold the $2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount was to be adjusted as necessary to reflect updated estimates of revenues, at which point it was to be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year was expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projected total general fund revenues and transfers of $129.8 billion and total expenditures of $127.0 billion. The State was projected to end the 2017-18 fiscal year with total available general fund reserves of $16.7 billion, including $7.3 billion in the traditional general fund reserve and $9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projected total general fund revenues of $133.3 billion and authorized expenditures of $138.7 billion. The State was projected to end the 2018-19 fiscal year with total available general fund reserves of $15.9 billion, including $2.0 billion in the traditional general fund reserve, $13.8 billion in the BSA and $200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the 2018-19 Budget revised the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget set the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.6 billion, an increase of $252 million from the prior year. The 2018-19 Budget revised the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion, reflecting an increase of $1.1 billion from the prior year. As part of the 2017-18 increase, the State was to make an additional maintenance factor payment of $789 million, on top of a previous $536 million payment. After making the approximately $1.3 billion total payment, the State was expected to have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State was to spend at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget set the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 was projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget set

Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increased by $579 (or 5.2%) from the prior year, up to $11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provided nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 were as follows: $8,235 for grades K-3, $7,571 for grades 4-6, $7,796 for grades 7-8 and $9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriated $5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which was to be administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds were to offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs, with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – a total allocation of $594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget"). The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the

California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10% Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS SCHOOL AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at $80.7 billion, reflecting an increase of $2.8 billion (or 3.6%) from the revised prior-year level. Fiscal year 2019-20 is projected to be a "Test 3" year. With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LFCC funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $577 million in Proposition 98 funding (of which $186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Early Education* – An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

May Revision. On May 9, 2019, the Governor released his May revision (the "May Revision") to the Proposed 2019-20 Budget. The following information is drawn from the State Department of Finance's summary, and the LAO's review of, the May Revision.

For fiscal year 2018-19, the May Revision projects total general fund revenues and transfers of $138 billion and total expenditures of $143.2 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $ 20.1 billion, including $4.8 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the May Revision projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $19.5 billion, including $1.6 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. As further described herein, the May Revision also calculates that, for the first time, the State will be obligated to make a deposit into the PSSSA, the Proposition 39 reserve established by Proposition 2. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the May Revision makes additional revisions to Proposition 98 funding levels for fiscal years 2017-18 and 2018-19. Specifically, the May Revision sets the minimum funding guarantee for fiscal year 2017-18 at $75.6 billion (including $53 billion from the State general fund), an increase of $78.4 million from the level set by the Proposed 2019-20 Budget. For fiscal year 2018-19, the May Revision sets the minimum funding guarantee at $78.1 billion (including $54.4 billion from the State general fund), an increase of $279 million from the Proposed 2019-20 Budget. These increases in funding are primarily attributable to stronger growth in State general fund revenues relative to the administration's January estimates, as well as a slight upward revision in student attendance estimates.

For fiscal year 2019-20, the May Revision sets the minimum funding guarantee at $81.1 billion (including $55.9 billion from the State general fund), an increase of $389 million from the Proposed 2019-20 Budget. Fiscal year 2019-20 is now projected to be a "Test 1" year. Although total Proposition 98 funding increases during fiscal years 2017-18 through 2019-20, the State general fund share of education funding also increases by approximately $1.1 billion, due to a decrease in projected property tax revenues over this period.

Other significant adjustments, or additional proposals, with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $70 million Proposition 98 funding in fiscal year 2018-19, as well as a decrease of $63.9 million to the funding level for fiscal year 2019-20, each relative to the Proposed 2019-20 Budget. These changes reflect adjustments to ADA and the fiscal year 2019-20 COLA that affect the LCFF calculation.

- *Proposition 98 Reserve Deposit* – The May Revision projects that a deposit to the PSSSA of $389.3 million will be required during fiscal year 2019-20 in order to comply with Proposition 2. The amount of the deposit reflects the difference between the projected "Test 1" funding level in 2019-20, and the prior year's funding level, as adjusted for growth and inflation. The amount proposed to be deposited into the PSSSA is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (as amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751" herein.

- *Categorical Programs* – A decrease of $7.4 million in Proposition 98 funding for selected categorical programs relative to the amount set in the Proposed 2019-20 Budget, reflecting a change in the COLA from 3.46% to 3.26%. The May Revision also provides an increase of $7.6 million in Proposition 98 funding for selected categorical programs, based on updated ADA estimates.

- *Pension Costs* – An increase of $150 million to the one-time, non-Proposition 98 funding provided in the Proposed 2019-20 Budget to reduce long-term STRS liabilities for K-14 school districts. As a result, employer contribution rates for fiscal year 2019-20 would be effectively reduced to 16.7%.

- *Workforce Development* - $89.8 million in one-time, non-Proposition 98 funding to provide for a teacher loan forgiveness program for newly credentialed teachers to work in high-need subject matter areas such as special education and STEM (Science, Technology, Engineering and Math). The May Revision also includes $44.8 million in one-time, non-Proposition 98 funding to provide training and resources for classroom educators, and $13.9 million in ongoing federal funding for professional learning opportunities for public K-12 administrators.

- *Special Education* – A total of $696.2 million in ongoing Proposition 98 funding for special education. This reflects a $119.2 million increase from the amount set in the Proposed 2019-20 Budget, and would be a 21% increase from the prior year.

For additional information regarding the May Revision, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of $138 billion and total expenditures of $142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $20.7 billion, including $5.4 billion in the traditional general fund reserve, $14.4 billion in the BSA and $900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of $143.8 billion and authorizes expenditures of $147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.8 billion, including $1.4 billion in the traditional general fund reserve, $16.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of $376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751."

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at $81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at $11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of $1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA.

- *Settle-Up Payment* – An increase of $686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – $645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) $152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) $492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A $3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, $850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT – School District Retirement Systems" herein.

- *After School Programs* - $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* - $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* - $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* - $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference..

Future Actions. The School District cannot predict what actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The School District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the School District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the School District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the School District for the payment of principal of and interest on the Bonds would not be impaired.

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School District Debt Structure

Changes in Long-Term Debt. A schedule of changes in long-term liabilities for the School District for the fiscal year ended June 30, 2018 is shown below.

SCHEDULE OF LONG TERM DEBT
as of June 30, 2018
Folsom Cordova Unified School District

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Certificates of Participation	$12,305,000	--	$2,855,000	$9,450,000
General Obligation Bonds	334,258,303	$95,000,000	14,624,607	414,633,696
Unamortized Premium	18,835,544	5,125,476	1,390,743	22,570,277
Accreted Interest on General Obligation Bonds	52,974,346	6,501,804	1,270,393	58,205,757
Capitalized Lease Obligation	59,793	1,963,900	366,329	1,657,364
Total OPEB Liability	19,574,968	2,495,250	--	22,070,218
Net Pension Liability	192,394,422	24,404,196	--	216,798,618
Compensated Absences	1,099,195	--	68,821	1,030,374
Total	$631,501,571	$135,490,626	$20,575,893	$746,416,304

Source: Folsom Cordova Unified School District.

Certificates of Participation. On December 10, 2015, the School District executed and delivered its 2015 Refunding Certificates of Participation (the "Certificates"), evidencing principal in an amount equal to $17,910,000, to refund certain then-outstanding lease obligations of the School District. The Certificates are payable from lease payments to be made by the School District, pursuant to a lease agreement (the "Lease") entered into by the School District and the Folsom Cordova Schools Financing Corporation for the use and possession of certain District sites and facilities. The School District is obligated to pay such lease payments, and certain additional payments that may be required by the Lease, from any source of legally available funds and the School District has covenanted in the Lease that it will take such action as may be necessary to include all such lease payments and additional payments in its annual budgets and to make necessary annual appropriations for all such rental payments.

The current semi-annual lease payments due in connection with the Certificates are shown in the table below.

ANNUAL LEASE PAYMENTS
Folsom Cordova Unified School District
Certificates of Participation

Certificate Payment Date	Principal Component	Interest Component	Total Semi-Annual Payments	Total Annual Payments
10/1/2019	--	$161,375.00	$161,375.00	--
4/1/2020	$3,150,000.00	161,375.00	3,311,375.00	$3,472,750.00
10/1/2020	--	82,625.00	82,625.00	--
4/1/2021	3,305,000.00	82,625.00	3,387,625.00	3,470,250.00
Total	$11,450,000.00	$724,250.00	$10,174,250.00	$10,102,875.00

Capital Lease. The School District has entered into a capital lease agreement for the acquisition of school busses and electronic equipment totaling $5,566,447. At June 30, 2018, the accumulated depreciation related to these assets totaled $3,357,079. The following is a schedule of the future payments for the capital lease:

Year Ending (October 1)	Payments
2019	$312,402
2020	309,466
2021	309,466
2022	309,466
2023	309,466
2024	309,466
	$1,859,732

General Obligation Bonds – Summary. The School District has issued general obligation bonds for several school facilities improvement districts, including the Improvement District, pursuant to voter-approved authorizations. The School District has also issued general obligation refunding bonds to refinance certain of such bonds. The following table summarizes the outstanding prior bond issuance of the School District, not including the Bonds.

Issuance	Initial Principal Amount	Principal Outstanding[2]	Date of Delivery
Folsom Cordova Unified School District School Facilities Improvement District No. 1 ("Improvement District No. 1")[1]			
Election of 1997, Series A	$10,396,454.85	$1,256,077.35	April 28, 1998
Election of 2002, Series A	17,995,749.60	4,097,108.60	July 18, 2002
Election of 2002, Series B	30,998,849.20	6,233,849.20	December 7, 2004
2014 Refunding Bonds	17,390,000.00	8,050,000.00	February 13, 2014
Folsom Cordova Unified School District School Facilities Improvement District No. 2 ("Improvement District No. 2")[1]			
Election of 2002, Series A	36,996,422.10	8,697,477.60	July 18, 2002
2014 Refunding Bonds	21,145,000.00	9,865,000.00	February 13, 2014
Folsom Cordova Unified School District School Facilities Improvement District No. 3			
Election of 2007, Series A	24,998,630.35	16,522,760.10	November 8, 2007
Election of 2007, Series B	10,550,225.55	9,263,293.25	December 3, 2009
Election of 2007, Series B-1[3]	8,585,000.00	8,585,000.00	December 3, 2009
Election of 2007, Series C	10,000,000.00	9,515,000.00	December 22, 2016
2017 Refunding Bonds, Series A[3]	8,525,000.00	8,525,000.00	February 22, 2017
Folsom Cordova Unified School District School Facilities Improvement District No. 4 ("Improvement District No. 4")			
Election of 2006, Series A	39,995,205.05	16,680,205.05	November 8, 2007
Election of 2006, Series B	2,628,625.65	513,625.65	December 3, 2009
Election of 2006, Series B-1[4]	22,375,000.00	22,375,000.00	December 3, 2009
Election of 2012, Series A	25,000,000.00	20,880,000.00	February 13, 2014
Election of 2012, Series B	30,000,000.00	27,880,000.00	August 13, 2015
2015 Refunding Bonds	11,430,000.00	9,480,000.00	August 13, 2015
Election of 2012, Series C	13,000,000.00	12,295,000.00	December 22, 2016
2017 Refunding Bonds, Series B[4]	21,765,000.00	21,765,000.00	February 22, 2017
Folsom Cordova Unified School District School Facilities Improvement District No. 5 ("Improvement District No. 5")			
Election of 2014, Series A	40,000,000.00	28,260,000.00	August 13, 2015
Election of 2014, Series B	60,000,000.00	59,775,000.00	December 22, 2016
Election of 2014, Series C	95,000,000.00	95,000,000.00	May 10, 2018

(1) Substantially all bonds approved by the voters of Improvement District No. 1 and Improvement District No. 2 have been issued.
(2) As of June 1, 2019.
(3) The School District's 2017 General Obligation Refunding Bonds (School Facilities Improvement District No. 3) (the "2017 Refunding Bonds, Series A") were issued to refund, on a crossover basis, the School District's Election of 2007 General Obligation Bonds, Series B-1 (the "Election of 2007 Series B-1 Bonds") issued on behalf of the Improvement District.
(4) The School District's 2017 General Obligation Refunding Bonds, Series B (School Facilities Improvement No. 4) (the "2017 Refunding Bonds, Series B") were issued to refund, on a crossover basis, the School District's Election of 2006 General Obligation Bonds, Series B-1 (the "Election of 2006 Series B-1 Bonds") issued on behalf of Improvement District No. 4.

Source: The School District's Municipal Advisor.

Improvement District No. 1 – General Obligation Bonds. The following tables illustrate the debt service requirements on the outstanding general obligation bonds for Improvement District No. 1.

OUTSTANDING GENERAL OBLIGATION BONDED DEBT SERVICE
Folsom Cordova Unified School District
School Facilities Improvement District No. 1

Year Ending (October 1)	Election of 1997 Series A Bonds	Election of 2002 Series A Bonds	Election of 2002 Series B Bonds	2014 Refunding Bonds	Combined Debt Service
2019	$1,010,000.00	$1,300,000.00	--	$2,141,987.50	$4,451,987.50
2020	1,035,000.00	1,340,000.00	--	2,192,487.50	4,567,487.50
2021	1,060,000.00	1,380,000.00	--	2,250,987.50	4,690,987.50
2022	1,085,000.00	1,425,000.00	--	2,306,737.50	4,816,737.50
2023	--	1,465,000.00	$2,650,000.00	--	4,115,000.00
2024	--	1,505,000.00	2,715,000.00	--	4,220,000.00
2025	--	1,555,000.00	2,785,000.00	--	4,340,000.00
2026	--	1,600,000.00	2,855,000.00	--	4,455,000.00
2027	--	1,650,000.00	2,925,000.00	--	4,575,000.00
2028	--	--	3,000,000.00	--	3,000,000.00
2029	--	--	3,075,000.00	--	3,075,000.00
Total	$4,910,000.00	$13,220,000.00	$20,005,000.00	$8,892,200.00	$46,307,200.00

Improvement District No. 2 – General Obligation Bonds. The following tables illustrate the debt service requirements on the outstanding general obligation bonds for Improvement District No. 2.

OUTSTANDING GENERAL OBLIGATION BONDED DEBT SERVICE
Folsom Cordova Unified School District
School Facilities Improvement District No. 2

Year Ending (October 1)	Election of 2002 Series A Bonds	2014 Refunding Bonds	Combined Debt Service
2019	$`2,865,000.00	$1,082,300.00	$3,947,300.00
2020	2,920,000.00	1,108,500.00	4,028,500.00
2021	2,980,000.00	1,126,250.00	4,106,250.00
2022	3,040,000.00	1,151,500.00	4,191,500.00
2023	3,100,000.00	1,173,750.00	4,273,750.00
2024	3,165,000.00	1,198,000.00	4,363,000.00
2025	3,230,000.00	1,219,000.00	4,449,000.00
2026	3,290,000.00	1,241,750.00	4,531,750.00
2027	3,360,000.00	1,266,000.00	4,626,000.00
2028	--	1,291,500.00	1,291,500.00
2029	--	1,323,000.00	1,323,000.00
Total	$27,950,000.00	$13,181,550.00	$41,131,550.00

Improvement District No. 3 – General Obligation Bonds. The following table illustrates the debt service requirements on the outstanding general obligation bonds for the Improvement District, including the Bonds (and assuming no optional redemptions).

OUTSTANDING GENERAL OBLIGATION BONDED DEBT SERVICE
Folsom Cordova Unified School District
School Facilities Improvement District Improvement District No. 3

Year Ending (October 1)	Election of 2007 Series A Bonds	Election of 2007 Series B Bonds	Election of 2007 Series B-1 Bonds[(1)(2)]	Election of 2007 Series C Bonds	2017 Refunding Bonds, Series A[(3)]	The Bonds	Combined Debt Service
2019	$2,015,000.00	$220,000.00	$586,352.30	$581,887.50	$377,600.00	$1,017,530.83	$4,798,370.63
2020	2,155,000.00	580,000.00	586,352.30	602,387.50	377,600.00	6,005,100.00	10,306,439.80
2021	2,450,000.00	--	1,331,352.30	647,137.50	1,087,600.00	6,005,100.00	11,521,189.80
2022	2,630,000.00	--	1,804,879.20	413,137.50	1,554,200.00	6,415,100.00	12,817,316.70
2023	2,875,000.00	--	2,019,071.00	588,137.50	1,788,950.00	6,084,600.00	13,355,758.50
2024	2,945,000.00	--	2,527,078.20	456,137.50	2,308,950.00	5,979,600.00	14,216,765.70
2025	3,055,000.00	2,565,000.00	213,033.60	404,137.50	134,200.00	5,979,600.00	12,350,971.10
2026	2,985,000.00	3,025,000.00	213,033.60	729,137.50	133,200.00	5,979,600.00	13,064,971.10
2027	2,980,000.00	3,050,000.00	213,033.60	737,887.50	132,200.00	5,979,600.00	13,092,721.10
2028	2,875,000.00	3,425,000.00	213,033.60	735,387.50	131,575.00	5,979,600.00	13,359,596.10
2029	2,825,000.00	3,400,000.00	213,033.60	737,137.50	135,668.76	6,434,600.00	13,745,439.86
2030	2,725,000.00	3,745,000.00	213,033.60	737,887.50	134,581.26	6,596,400.00	14,151,902.36
2031	2,785,000.00	3,850,000.00	213,033.60	737,637.50	133,493.76	6,851,000.00	14,570,164.86
2032	2,810,000.00	4,365,000.00	213,033.60	736,387.50	132,406.26	6,744,400.00	15,001,227.36
2033	--	6,980,000.00	213,033.60	739,137.50	131,318.76	7,385,600.00	15,449,089.86
2034	--	4,885,000.00	3,058,033.60	735,637.50	2,865,231.26	7,204,800.00	18,748,702.36
2035	--	--	--	721,137.50	--	13,923,800.00	14,644,937.50
2036	--	--	--	724,887.50	--	14,836,800.00	15,561,687.50
2037	--	--	--	912,062.50	--	15,580,200.00	16,492,262.50
2038	--	--	--	911,331.26	--	16,538,800.00	17,450,131.26
2039	--	--	--	914,362.50	--	17,507,200.00	18,421,562.50
2040	--	--	--	910,950.00	--	18,497,800.00	19,408,750.00
2041	--	--	--	916,300.00	--	19,507,400.00	20,423,700.00
2042	--	--	--	--	--	20,832,800.00	20,832,800.00
2043	--	--	--	--	--	21,248,800.00	21,248,800.00
2044	--	--	--	--	--	21,673,600.00	21,673,600.00
Total	$38,110,000.00	$40,090,000.00	$13,830,421.30	$16,330,231.26	$11,558,775.06	$276,789,430.83	$396,708,858.45

(1) The Election of 2007 Series B-1 Bonds were refunded, on a crossover basis, from the proceeds of the 2017 Refunding Bonds, Series A. Prior to October 1, 2019 (the "Crossover Date"), such bonds will continue to be paid from *ad valorem* property taxes levied within the Improvement District. The Election of 2007 Series B-1 Bonds will be redeemed on the Crossover Date.

(2) Represents gross debt service thereon. The Election of 2007 Series B-1 Bonds were designated as federally-taxable "Build America Bonds" pursuant to an irrevocable election by the School District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The School District expects to receive cash subsidy payments ("Subsidy Payments") from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each respective semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the respective debt service funds for such bonds, to be used as a credit against future debt service thereon. Subsidy Payments may be subject to reduction pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The School District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board is empowered to levy an *ad valorem* property tax sufficient to pay principal of and interest on such bonds.

(3) Prior to the Crossover Date, the 2017 Refunding Bonds, Series A will be payable solely from the proceeds thereof on deposit in an escrow account created therefor. From and after the Crossover Date, such bonds will be payable solely from *ad valorem* property taxes levied within the Improvement District.

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

OUTSTANDING GENERAL OBLIGATION BONDED DEBT SERVICE
Folsom Cordova Unified School District
Improvement District No. 4

Year Ending (October 1)	Election of 2006 Series A Bonds	Election of 2006 Series B Bonds	Election of 2006 Series B-1 Bonds[(1)(2)]	2015 Refunding Bonds	Election of 2012 Series A Bonds	Election of 2012 Series B Bonds	Election of 2012 Series C Bonds	2017 Refunding Bonds, Series B[(3)]	Combined Debt Service
2019	--	--	$1,850,396.26	$2,439,000.00	$1,021,900.00	$1,415,218.76	$801,900.00	$942,500.00	$8,470,915.02
2020	--	--	1,923,346.46	2,595,750.00	1,021,900.00	1,512,718.76	720,900.00	1,302,500.00	9,077,115.22
2021	--	--	2,000,829.36	2,764,750.00	1,021,900.00	1,612,068.76	732,150.00	1,363,100.00	9,494,798.12
2022	--	--	2,076,891.16	2,934,750.00	1,021,900.00	1,718,118.76	736,550.00	1,420,700.00	9,908,909.92
2023	$3,290,000.00	--	2,161,079.96	--	1,021,900.00	1,825,568.76	745,550.00	1,510,200.00	10,554,298.72
2024	3,490,000.00	--	2,237,130.06	--	1,551,900.00	1,410,068.76	753,950.00	1,593,950.00	11,036,998.82
2025	3,700,000.00	--	2,325,056.46	--	1,615,400.00	1,466,868.76	766,750.00	1,691,950.00	11,566,025.22
2026	3,920,000.00	--	2,411,889.06	--	1,679,400.00	1,525,868.76	766,750.00	1,793,200.00	12,097,107.82
2027	4,160,000.00	--	2,497,639.66	--	1,748,650.00	1,587,118.76	786,250.00	1,902,200.00	12,681,858.42
2028	4,410,000.00	--	2,586,569.46	--	1,817,650.00	1,649,118.76	794,250.00	2,013,200.00	13,270,788.22
2029	4,675,000.00	--	2,682,570.26	--	1,886,150.00	1,717,993.76	786,250.00	2,131,700.00	13,879,664.02
2030	4,950,000.00	--	2,784,164.46	--	1,964,350.00	1,783,018.76	793,000.00	2,267,300.00	14,541,833.22
2031	5,250,000.00	--	2,882,686.96	--	2,042,750.00	1,858,968.76	793,750.00	2,402,050.00	15,230,205.72
2032	5,560,000.00	--	2,988,929.56	--	2,123,250.00	1,932,218.76	798,750.00	2,545,800.00	15,948,948.32
2033	--	215,000.00	8,386,014.00	--	2,211,500.00	2,003,975.00	807,750.00	7,649,200.00	21,273,439.00
2034	--	8,895,000.00	--	--	2,296,750.00	2,088,350.00	810,500.00	--	14,090,600.00
2035	--	--	--	--	2,388,750.00	2,170,175.00	812,250.00	--	5,371,175.00
2036	--	--	--	--	2,486,750.00	2,259,200.00	808,000.00	--	5,553,950.00
2037	--	--	--	--	2,585,000.00	2,348,150.00	813,000.00	--	5,746,150.00
2038	--	--	--	--	2,688,000.00	2,440,800.00	811,750.00	--	5,940,550.00
2039	--	--	--	--	--	5,336,750.00	809,500.00	--	6,146,250.00
2040	--	--	--	--	--	5,551,800.00	801,250.00	--	6,353,050.00
2041	--	--	--	--	--	--	6,242,250.00	--	6,242,250.00
Total	$43,405,000.00	$9,110,000.00	$41,795,193.14	$10,734,250.00	$36,195,750.00	$47,214,137.64	$23,493,000.00	$32,529,500.00	$224,476,880.78

(1) The Election of 2006 Series B-1 Bonds were refunded, on a crossover basis, from the proceeds of the 2017 Refunding Bonds, Series B. Prior to the Crossover Date, such bonds will continue to be paid from *ad valorem* property taxes levied within Improvement District No. 4. The Election of 2007 Series B-1 Bonds will be redeemed on the Crossover Date.

(2) Represents gross debt service thereon. The Election of 2007 Series B-1 Bonds were designated as federally-taxable "Build America Bonds" pursuant to an irrevocable election by the School District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The School District expects to receive cash Subsidy Payments from the United States Department of the Treasury equal to 35% of the interest payable on such bonds on or about each respective semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the respective debt service funds for such bonds, to be used as a credit against future debt service thereon. Subsidy Payments may be subject to reduction pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The School District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County Board is empowered to levy an ad valorem property tax sufficient to pay principal of and interest on such bonds.

(3) Prior to the Crossover Date, the 2017 Refunding Bonds, Series B will be payable solely from the proceeds thereof on deposit in an escrow account created therefor. From and after the Crossover Date, such bonds will be payable solely from *ad valorem* property taxes levied within Improvement District No. 4.

Improvement District No. 5 – General Obligation Bonds. The following tables illustrate the debt service requirements on the outstanding general obligation bonds for Improvement District No. 5 (assuming no optional redemptions).

Period Ending October 1	**Election of 2014 Series A Bonds**	**Election of 2014 Series B Bonds**	**Election of 2014 Series C Bonds**	**Total Annual Debt Service**
2019	$1,382,925.00	$4,014,400.00	$5,785,500.00	$11,182,825.00
2020	1,439,625.00	2,875,800.00	3,767,500.00	8,082,925.00
2021	1,500,125.00	2,795,800.00	4,107,100.00	8,403,025.00
2022	1,559,325.00	3,398,300.00	3,783,100.00	8,740,725.00
2023	1,620,125.00	3,015,550.00	4,456,500.00	9,092,175.00
2024	1,682,925.00	3,400,300.00	4,370,750.00	9,453,975.00
2025	1,752,425.00	3,010,050.00	5,067,500.00	9,829,975.00
2026	1,822,175.00	3,657,550.00	4,747,750.00	10,227,475.00
2027	1,896,925.00	4,051,800.00	4,685,500.00	10,634,225.00
2028	1,971,175.00	4,188,800.00	4,898,500.00	11,058,475.00
2029	2,050,950.00	4,330,300.00	5,123,000.00	11,504,250.00
2030	2,130,850.00	4,475,550.00	5,354,800.00	11,961,200.00
2031	2,215,425.00	4,628,800.00	5,594,600.00	12,438,825.00
2032	2,306,425.00	4,779,050.00	5,851,600.00	12,937,075.00
2033	2,399,675.00	4,940,800.00	6,114,600.00	13,455,075.00
2034	2,495,675.00	5,102,800.00	6,397,800.00	13,996,275.00
2035	2,592,225.00	6,669,300.00	5,294,800.00	14,556,325.00
2036	2,698,800.00	5,449,300.00	6,990,400.00	15,138,500.00
2037	2,806,600.00	5,632,800.00	7,304,200.00	15,743,600.00
2038	2,916,600.00	5,822,050.00	7,633,600.00	16,372,250.00
2039	3,033,400.00	6,016,987.50	7,977,200.00	17,027,587.50
2040	3,156,400.00	6,219,925.00	8,332,800.00	17,709,125.00
2041	--	8,089,800.00	10,326,800.00	18,416,600.00
2042	--	--	19,155,800.00	19,155,800.00
2043	--	--	16,062,800.00	16,062,800.00
Totals	$47,430,775.00	$106,565,812.50	$169,184,500.00	$323,181,087.50

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

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

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

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

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO

OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

The proposed form of opinion of Bond Counsel for the Bonds is included in APPENDIX D attached hereto.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See "SCHOOL DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the School District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the School District or to enforce any obligation of the School District related to such amounts due, without consent of the School District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the School District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the School District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any School District bankruptcy proceeding, the fact of a School District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the School District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County, on behalf of the School District, is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX G – SACRAMENTO COUNTY INVESTMENT POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving opinion of Bond Counsel attached hereto as APPENDIX D is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights

LEGAL MATTERS

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the School District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the School District and the Improvement District (each an "Annual Report") by not later than nine months following the end of the School District's fiscal year (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the School District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or of the notices of listed events is included in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the School District has not failed to timely file Annual Reports and notices of listed events as required by prior undertakings entered into pursuant to the Rule.

Legality for Investment in California

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

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX D.

Absence of Material Litigation

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

Information Reporting Requirements

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

Financial Statements

The School District's audited financial statements with supplemental information for the year ended June 30, 2018 flows for the year then ended, and the report dated December 17, 2018 of Crowe Horwarth LLP, independent accountants (the "Auditor"), are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the School District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

The Bonds are expected to be assigned ratings of "A2" from Moody's, "AA" from S&P and "AA+" from Kroll Bond Rating Agency, based upon the issuance of the Policy by AGM. The Bonds have also been assigned underlying ratings of "A2" and "AA-" by Moody's and S&P, respectively. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The School District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the School District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The School District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the School District and prior to the date the School District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

UNDERWRITING

Pursuant to the terms of a Notice Inviting Proposals for Purchase of Bonds (the "Notice Inviting Proposals"), RBC Capital Markets, LLC (the "Underwriter") will purchase all of the Bonds for a purchase price of $162,004,379.35, which is equal to the initial principal amount of the Bonds of $150,000,000.00, plus net original issue premium of $13,217,891.95, less $876,512.60 of underwriting discount and less $337,000.00 to be applied by the Underwriter to pay the Policy premium.

The Notice Inviting Proposals provides that the Underwriter will purchase all of the Bonds, if any are purchased. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Bond Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By /s/ Rhonda Crawford
Assistant Superintendent, Business Services

APPENDIX A

BOUNDARY MAP OF IMPROVEMENT DISTRICT NO. 3

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BOUNDARY OF
FOLSOM CORDOVA
UNIFIED SCHOOL DISTRICT

SCHOOL FACILITIES
IMPROVEMENT DISTRICT NO. 3

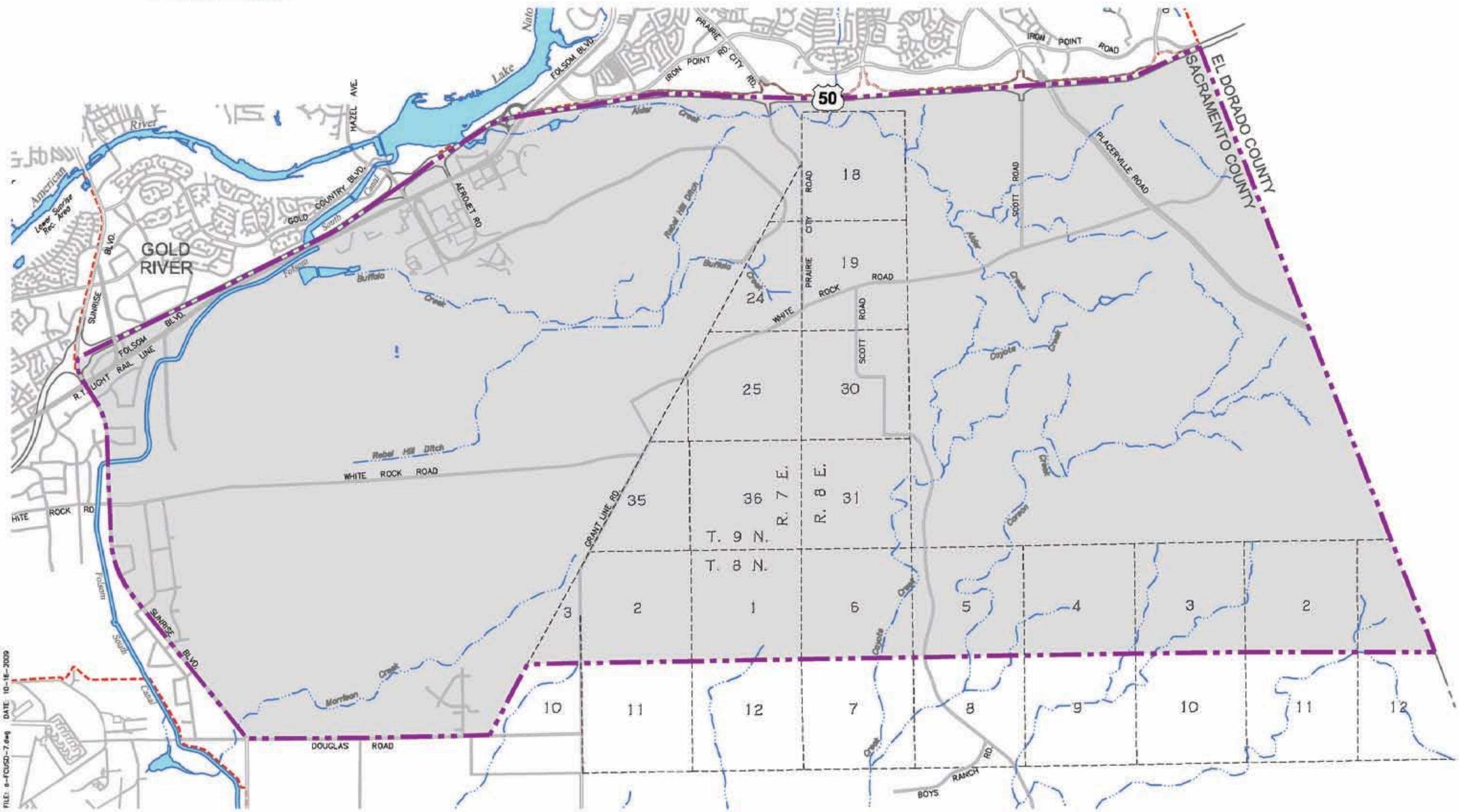
COUNTY OF SACRAMENTO, STATE OF CALIFORNIA

OCTOBER 2009

SCHOOL FACILITIES
IMPROVEMENT DISTRICT 3:

Folsom and Rancho Cordova
City Limit Boundaries

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



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APPENDIX B

THE 2017-18 AUDITED FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

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FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Folsom Cordova Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Folsom Cordova Unified School 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 sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Folsom Cordova Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning governmental activities net position of $6,581,951. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 11 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 57 to 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Folsom Cordova Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018 on our consideration of Folsom Cordova Unified 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Folsom Cordova Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 17, 2018

Management Discussion & Analysis

The Management Discussion and Analysis Section of the audit is management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the board and the public.

Financial Reports

Two financial reports are included in the audit this year, the Statement of Net Position and the Statement of Activities, which begin on page 12. These two statements report the district-wide financial condition and activities. The individual fund statements which focus on reporting the District's operations in more detail begin on page 14.

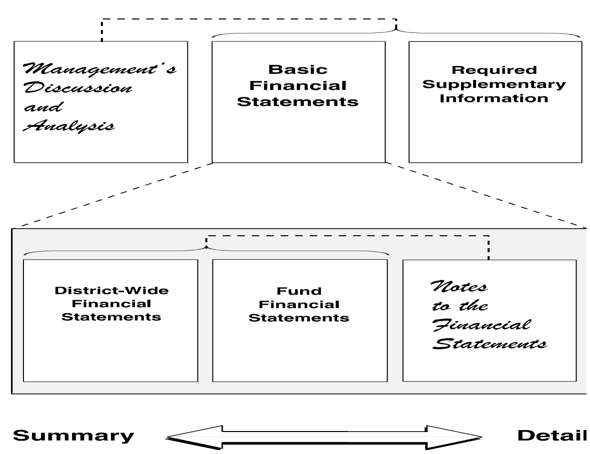
Overview of the Financial Statements

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

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

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

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



District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Statement of Net Position

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

	Governmental Activities 2017	2018	Percentage Change 2017-2018
Current and other assets	$206,908,520	$242,914,689	
Capital assets	506,771,351	547,945,714	
Total assets	713,679,871	790,860,403	10.81%
Deferred outflows of resources	47,777,119	80,059,055	
Long-term debt outstanding	638,083,522	746,416,304	
Other liabilities	18,225,887	17,204,743	
Total liabilities	656,309,409	763,621,047	16.35%
Deferred inflows of resources	5,518,246	18,893,083	242.4%
Net investment in capital assets	229,987,254	246,441,453	
Restricted	89,255,620	71,362,971	
Unrestricted	(219,613,539)	(229,399,096)	
Total net position	$99,629,335	$88,405,328	-11.27%

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

Statement of Activities

Governmental Activities

	2017	2018
Revenues		
Program Revenues:		
Charges for Services	$1,550,994	$1,621,552
Operating Grants	37,708,328	42,275,596
Capital Grants and Contributions	-	
General Revenues		
Property Taxes	77,483,082	75,531,454
Federal and State Aid	116,108,603	115,122,365
Other	24,015,060	29,187,040
Total Revenues	$256,866,067	$263,738,007
Program Expenses		
Instruction	161,646,282	158,517,404
Instruction Related Services	24,895,484	27,040,534
Pupil Services	22,587,324	25,386,609
Ancillary Services	4,096,016	3,891,035
Data Processing	2,897,228	2,910,420
General Administration	8,777,722	1,304,463
Plant Services	20,521,821	22,549,457
Interest	17,736,624	24,955,445
Other	1,206,480	1,637,068
Enterprise activities	83,861	187,628
Total Expenses	264,448,842	268,380,063
Change in net position	-7,582,775	-4,642,056
Net Position – Beginning	107,212,110	93,047,384
Net Position – Ending	$99,629,335	$88,405,328

Financial Condition of General Fund

Folsom Cordova Unified School District is striving to maintain its solid financial condition. The following table summarizes operational fund financial statements:

	General Fund		Percentage Change
	2017	2018	2017-2018
Total Revenues	$ 201,441,311	$ 208,701,111	
Expenses	206,539,240	213,341,633	
Other financing sources	(735,436)	1,171,987	
Excess of revenues over expenses	$ (5,833,365)	$ (3,468,535)	40.54%

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

Capital Assets

At year-end, the District has invested $57,539,866 in modernization and new construction from the following combined sources for 2017-18. This represents a 19.1% increase from last year's amount of $48,306,953.

	Governmental Activities		Percentage Change
	2017	2018	2017-2018
Land	$49,116,097	$49,116,097	
Improvement of sites	30,349,037	30,817,854	
Buildings	544,464,070	580,495,032	
Equipment	44,446,839	49,704,765	
Work-in-process	55,370,200	71,152,361	
Total	$723,746,243	$781,286,109	7.95%

District Indebtedness

At year-end, the District has incurred $746,416,304 of long-term debt. Of that, $495,409,730 is General Obligation Bonds secured by property tax increases voted on by local residents. In April 2018, the District issued Election of 2014 General Obligation Bonds, Series C in an aggregate principal amount of $95,000,000.

	Governmental Activities		Percentage Change
	2017	2018	2017-2018
Compensated absences	$1,099,195	$1,030,374	
Certificates of participation	12,305,000	9,450,000	
General obligation bonds	406,068,193	495,409,730	
Capital lease	59,793	1,657,364	
Net pension liability	192,394,422	216,798,618	
Post-employment medical benefits	19,574,968	22,070,218	
Total	$631,501,571	$746,416,304	18.20%

Budget to Actual Analysis

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

	Estimated June 2018	Actual 2018	Percentage Variance
Revenues			
LCFF	163,496,975	163,417,682	
Federal Revenues	10,189,358	10,199,438	
State Revenues	25,922,615	28,441,674	
Local Revenues	6,471,509	6,642,317	
Total Revenues	206,080,457	208,701,111	0.00%
Expenditures			
Salaries & Benefits	178,590,936	180,197,522	
Books & Supplies	9,175,073	7,793,081	
Services & Other Operating	21,512,803	20,621,082	
Capital Outlay/Other Outgo	3,667,844	4,729,948	
Total Expenditures	212,946,656	213,341,633	0.00%

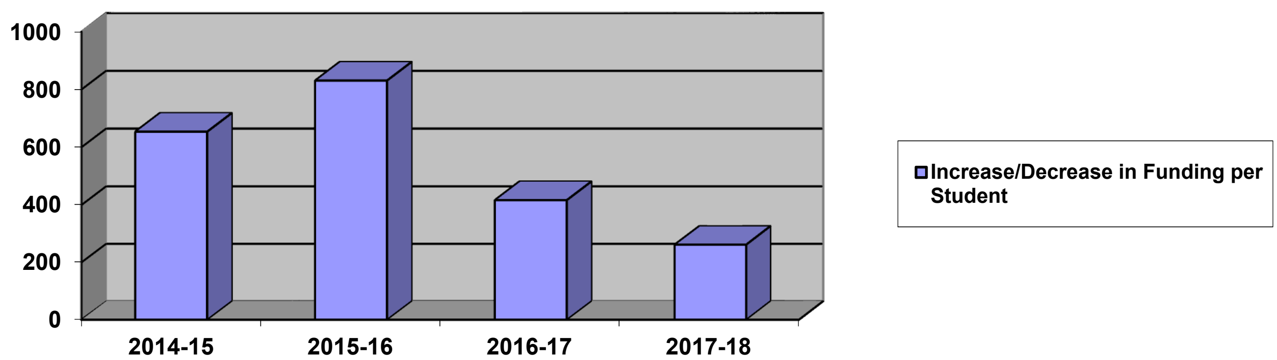
Total budgeted revenues and expenditures were the same as actual revenues received.

Financial Issues

Per Pupil Funding

Since 2008-09, the State of California had been experiencing a severe economic down-turn causing concern for future funding sources. With the passage of Proposition 30 by the voters in November 2012, the State did not impose mid-year reductions, and school districts were flat-funded for 2012-13. Beginning in 2013-14, the State has eliminated revenue limits and most State categorical funding with a new LCFF funding model. During the phase-in period over the eight (8) years, per pupil funding is expected to increase until the new target levels are reached. The table below shows a five year trend in State school funding.

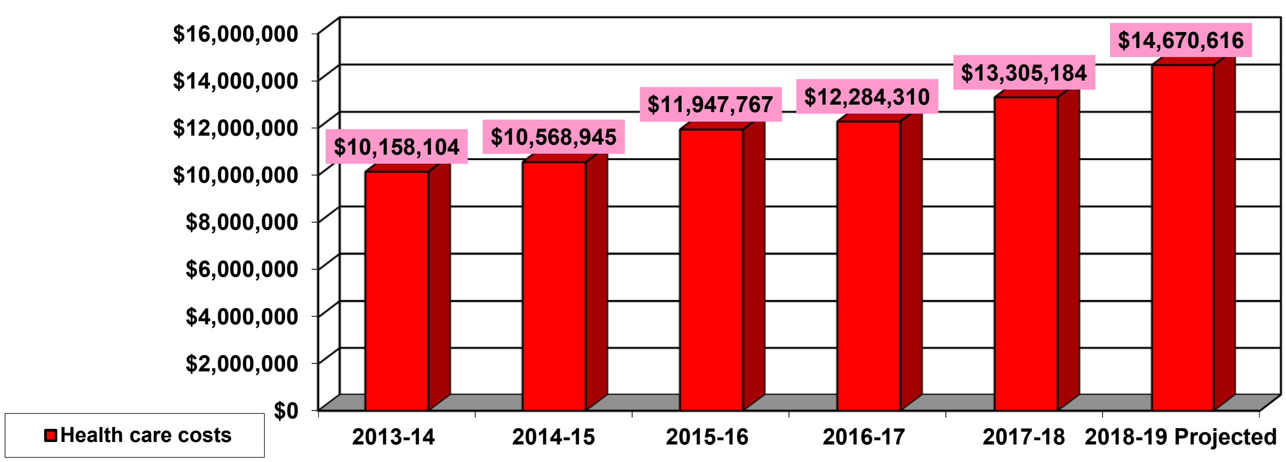
Increase/Decrease in Per Pupil Funding



Health Care Cost Trends

District-Wide Health Care costs trend had been increasing over the past few years with as we open new programs and increase services to students the trend is more in line with the 5% annual increase that we saw in the past. The graph below shows the trends:

Trends in District-Wide Health Care Costs



Categorical Funding

As school revenues increased during the boom times of the late 1990's, the funds came to schools with strings attached. As we moved into constrained economic times, we found these constraints made it difficult to maintain our basic programs. Since 2008-09, the State had given broad flexibility in many categorical programs to help schools manage reductions as a result of the economic downturn. Beginning in 2013-14 most of the State categorical programs previously included in the flexibility provisions, Tier III have been shifted to the new LCFF funding formula.

As State revenue growth fluctuates, LCFF is implemented, LCAPP is developed, health care costs rise, the Affordable Care Act is implemented, Common Core Standards are implemented, and ongoing expenditures take a larger share of state revenue, District management must vigorously pursue three major courses of action:

1. Develop a balanced approach to plan for the long term rather than the short term.
2. Continue to work with the Education Coalition to increase funding to School Districts to at least the national average.
3. Evaluate how well we are doing in achieving equitable allocations of resources and improving outcomes for all students.

Contacting the District's Financial Management

If you have questions regarding this report or need additional financial information, contact Kristi Blandford, Director of Fiscal Services, (916) 294-9000, ext. 104310.

BASIC FINANCIAL STATEMENTS

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	$ 234,118,103	$ 2,868,371	$ 236,986,474
Receivables	7,762,804	397,035	8,159,839
Prepaid expenses	-	2,177	2,177
Stores inventory	1,701	-	1,701
Interagency balances (Note 3)	1,032,081	(1,032,081)	-
Non-depreciable capital assets (Note 4)	120,268,458	-	120,268,458
Depreciable capital assets, net of accumulated depreciation (Note 4)	427,677,256	-	427,677,256
Total assets	790,860,403	2,235,502	793,095,905
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 7 and 8)	73,694,117	651,076	74,345,193
Deferred outflows of resources - OPEB	1,774,998	-	1,774,998
Deferred loss from refunding of debt	4,589,940	-	4,589,940
Total deferred outflows of resources	80,059,055	651,076	80,710,131
LIABILITIES			
Accounts payable	12,896,513	33,039	12,929,552
Unearned revenue	4,308,230	-	4,308,230
Long-term liabilities (Note 5):			
Due within one year	18,535,889	-	18,535,889
Due after one year	727,880,415	1,915,382	729,795,797
Total liabilities	763,621,047	1,948,421	765,569,468
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 7 and 8)	18,893,083	166,917	19,060,000
NET POSITION			
Net investment in capital assets	246,441,453	-	246,441,453
Restricted:			
Legally restricted programs	17,449,182	-	17,449,182
Capital projects	34,585,207	-	34,585,207
Debt service	19,328,582	-	19,328,582
Unrestricted	(229,399,096)	771,240	(228,627,856)
Total net position	$ 88,405,328	$ 771,240	$ 89,176,568

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	$ 158,517,404	$ 1,185	$ 25,601,332	$ -	$ (132,914,887)	$ -	$ (132,914,887)
Instruction-related services:							
Supervision of instruction	8,938,390	13	3,016,872	-	(5,921,505)	-	(5,921,505)
Instructional library, media and technology	1,142,939	6	5,479	-	(1,137,454)	-	(1,137,454)
School site administration	16,959,205	-	1,568,584	-	(15,390,621)	-	(15,390,621)
Pupil services:							
Home-to-school transportation	4,736,782	455	42,704	-	(4,693,623)	-	(4,693,623)
Food services	6,043,391	1,551,083	4,835,506	-	343,198	-	343,198
All other pupil services	14,606,436	443	3,780,618	-	(10,825,375)	-	(10,825,375)
General administration:							
Data processing	2,910,420	-	5,847	-	(2,904,573)	-	(2,904,573)
All other general administration	1,304,463	58,224	1,615,452	-	369,213	-	369,213
Plant services	22,549,457	121	65,302	-	(22,484,034)	-	(22,484,034)
Ancillary services	3,891,035	1,100	806,526	-	(3,083,409)	-	(3,083,409)
Enterprise activities	187,628	-	-	-	(187,628)	-	(187,628)
Interest on long-term liabilities	24,955,445	-	-	-	(24,955,445)	-	(24,955,445)
Other outgo	1,637,068	8,922	931,374	-	(696,772)	-	(696,772)
Total governmental activities	268,380,063	1,621,552	42,275,596	-	(224,482,915)		(224,482,915)
Business-type activities:							
Enterprise activities	2,766,627	3,676,302	-	-	-	909,675	909,675
Total governmental and business-type activities	$ 271,146,690	$ 5,297,854	$ 42,275,596	$ -	(224,482,915)	909,675	(223,573,240)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					56,784,958	-	56,784,958
Taxes levied for debt service					18,282,504	-	18,282,504
Taxes levied for other specific purposes					463,992	-	463,992
Federal and state aid not restricted to specific purposes					115,122,365	-	115,122,365
Interest and investment earnings					6,092,340	35,040	6,127,380
Miscellaneous					21,353,084	-	21,353,084
Internal transfers					1,741,616	(1,741,616)	-
Total general revenues					219,840,859	(1,706,576)	218,134,283
Change in net position					(4,642,056)	(796,901)	(5,438,957)
Net position, July 1, 2017					99,629,335	1,568,141	101,197,476
Cumulative effect of GASB 75 implementation					(6,581,951)	-	(6,581,951)
Net position, July 1, 2017, as restated					93,047,384	1,568,141	94,615,525
Net position, June 30, 2018					$ 88,405,328	$ 771,240	$ 89,176,568

See accompanying notes to financial statements.

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Fund	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 27,628,546	$ 13,738,177	$ 20,883,858	$ 27,265,229	$ 89,515,810
Cash on hand and in banks	1,726,668	-	-	573,489	2,300,157
Cash in revolving fund	75,000	-	-	10,000	85,000
Cash with Fiscal Agent	-	137,303,762	4,913,374	-	142,217,136
Receivables	5,308,844	180,091	132,532	2,141,337	7,762,804
Due from other funds	360,659	742,316	-	2,024,993	3,127,968
Stores inventory	-	-	-	1,701	1,701
Total assets	$ 35,099,717	$151,964,346	$ 25,929,764	$ 32,016,749	$ 245,010,576
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,298,152	$ 2,949,656	$ -	$ 543,025	$ 8,790,833
Unearned revenue	2,293,219	-	1,687,808	327,203	4,308,230
Due to other funds	315,293	691,963	-	1,088,631	2,095,887
Total liabilities	7,906,664	3,641,619	1,687,808	1,958,859	15,194,950
Fund balances:					
Nonspendable	75,000	-	-	11,701	86,701
Restricted	10,957,534	148,322,727	24,241,956	30,046,189	213,568,406
Committed	3,421,098	-	-	-	3,421,098
Assigned	5,229,808	-	-	-	5,229,808
Unassigned	7,509,613	-	-	-	7,509,613
Total fund balances	27,193,053	148,322,727	24,241,956	30,057,890	229,815,626
Total liabilities and fund balances	$ 35,099,717	$ 151,964,346	$ 25,929,764	$ 32,016,749	$ 245,010,576

See accompanying notes to financial statements.

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

June 30, 2018

Total fund balances - Governmental Funds		$ 229,815,626
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $781,286,109 and the accumulated depreciation is $233,340,395 (Note 4).		547,945,714
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):		
Certificates of Participation	$ (9,450,000)	
General Obligation Bonds	(414,633,696)	
Unamortized premium	(22,570,277)	
Accreted interest	(58,205,757)	
Capitalized lease obligation	(1,657,364)	
Total OPEB liability (Note 9)	(22,070,218)	
Net pension liability (Notes 7 and 8)	(216,798,618)	
Compensated absences	(1,030,374)	
		(746,416,304)
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.		4,589,940
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB 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 and OPEB are reported (Notes 7, 8 and 9).		
Deferred outflows of resources relating to pensions	$ 73,694,117	
Deferred outflows of resources relating to OPEB	1,774,998	
Deferred inflows of resources relating to pensions	(18,893,083)	
		56,576,032
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.		(4,105,680)
Total net position - governmental activities		$ 88,405,328

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$ 107,639,731	$ -	$ -	$ 524,352	$ 108,164,083
Local sources	55,777,951	-	-	961,094	56,739,045
Total LCFF	163,417,682	-	-	1,485,446	164,903,128
Federal sources	10,199,438	-	-	4,885,640	15,085,078
Other state sources	28,441,674	-	117,455	3,961,846	32,520,975
Other local sources	6,642,317	839,812	24,008,483	13,428,117	44,918,729
Total revenues	208,701,111	839,812	24,125,938	23,761,049	257,427,910
Expenditures:					
Current:					
Certificated salaries	99,137,575	-	-	1,213,115	100,350,690
Classified salaries	34,483,165	-	-	3,847,219	38,330,384
Employee benefits	46,576,782	-	-	1,682,106	48,258,888
Books and supplies	7,793,081	1,331	-	3,212,185	11,006,597
Contract services and operating expenditures	20,621,081	662,294	-	1,761,126	23,044,501
Other outgo	1,337,068	-	-	-	1,337,068
Capital outlay	3,015,309	54,946,448	-	5,563,599	63,525,356
Debt service:					
Principal retirement	366,329	-	14,624,607	2,855,000	17,845,936
Interest	11,243	-	18,783,894	606,689	19,401,826
Total expenditures	213,341,633	55,610,073	33,408,501	20,741,039	323,101,246
(Deficiency) excess of revenues (under) over expenditures	(4,640,522)	(54,770,261)	(9,282,563)	3,020,010	(65,673,336)
Other financing sources (uses):					
Transfers in	358,087	-	-	4,097,186	4,455,273
Transfers out	(1,150,000)	(1,291,996)	-	(271,661)	(2,713,657)
Proceeds from capital lease	1,963,900	-	-	-	1,963,900
Proceeds from issuance of debt	-	95,000,000	-	-	95,000,000
Premium on issuance of debt	-	211,826	4,913,650	-	5,125,476
Total other financing sources (uses)	1,171,987	93,919,830	4,913,650	3,825,525	103,830,992
Net change in fund balances	(3,468,535)	39,149,569	(4,368,913)	6,845,535	38,157,656
Fund balances, July 1, 2017	30,661,588	109,173,158	28,610,869	23,212,355	191,657,970
Fund balances, June 30, 2018	$ 27,193,053	$ 148,322,727	$ 24,241,956	$ 30,057,890	$ 229,815,626

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds		$ 38,157,656
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	$ 57,539,866	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(16,365,503)	
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(96,963,900)	
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.	(582,610)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	17,845,936	
Debt issue premiums are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 5).	(3,734,733)	
Accretion of interest is not recorded in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(5,231,411)	
Other postemployment benefits (OPEB) costs are recognized when employer contributions are made in the governmental net position (Notes 5 and 9).	12,443,650	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.	(1,130,343)	
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 (Notes 7 and 8):	(6,689,485)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	68,821	(42,799,712)
Change in net position of governmental activities		$ (4,642,056)

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
STUDENT CARE CENTER FUND
June 30, 2018

ASSETS	
Current assets:	
Cash in County Treasury (Note 2)	$ 2,379,275
Cash in banks (Note 2)	489,096
Receivables	397,035
Due from other funds	1
Prepaid expenditures	2,177
Total current assets	3,267,584
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	651,076
LIABILITIES	
Current liabilities:	
Accounts payable	33,039
Due to other funds	1,032,082
Total current liabilities	1,065,121
Net pension liability - long-term (Notes 7 and 8)	1,915,382
Total liabilities	2,980,503
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	166,917
NET POSITION	
Unrestricted	$ 771,240

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION -
PROPRIETARY FUND
STUDENT CARE CENTER FUND
For the Year Ended June 30, 2018

Operating revenues:	
Other state revenues	$ 455
Children Center fees	3,674,325
Other local revenues	1,522
Total operating revenues	3,676,302
Operating expenses:	
Classified salaries	1,485,064
Employee benefits	905,343
Books and supplies	206,734
Contract services and operating expenses	169,486
Total operating expenses	2,766,627
Operating income	909,675
Non-operating income:	
Interest income	35,040
Transfers to other funds	(1,741,616)
Change in net position	(796,901)
Net position, July 1, 2017	1,568,141
Net position, June 30, 2018	$ 771,240

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
STUDENT CARE CENTER FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received for children center fees	$ 3,287,581
Cash received for other activities	1,977
Cash paid for operating expenses	(376,220)
Cash paid for employee benefits	(1,956,232)
Net cash provided by operating activities	957,106
Cash flows used in noncapital financing activities:	
Transfer to other funds	(971,681)
Cash flows provided by investing activities:	
Interest income	35,040
Change in cash and investments	20,465
Cash and investments, July 1, 2017	2,847,906
Cash and investments, June 30, 2018	$ 2,868,371
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 909,675
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(386,744)
Deferred outflows of resources	(375,029)
Increase in:	
Accounts payable	9,237
Net pension liability	668,804
Deferred inflows of resources	131,163
Total adjustments	47,431
Net cash provided by operating activities	$ 957,106

See accompanying notes to financial statements.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2018

	Agency Student Body
ASSETS	
Cash on hand and in banks (Note 2)	$ 1,518,033
LIABILITIES	
Due to student groups	$ 1,518,033

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Folsom Cordova Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District and Folsom Cordova Schools Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100* criteria:

A - Accountability:

1. The Corporation's Board of Directors was appointed by the District's Board of Education.

2. The Corporation has no employees. The District's Superintendent function as agents of the Corporation. Neither individual receives additional compensation for work performed in this capacity.

3. The District exercises significant influence over operations of the Corporation as the District is the sole lessee of all facilities owned by the Corporation.

4. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.

5. Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.

6. The District's lease payments are the sole revenue source of the Corporation.

7. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

B - Scope of Public Service:

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities through the issuance of Certificates of Participation. The source of repayment for the Certificates of Participation is the fees collected through the District's developer fees. When the Corporation's Certificates of Participation have been completely paid off, title to all Corporation property will pass to the District for no additional consideration.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Financial Presentation:

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity in the Capital Facilities Funds. Certificates of Participation issued by the Corporation are included as liabilities in the Statement of Net Position.

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

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

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

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled:

A - Major Funds

General Fund:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Fund:

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of, general long-term debt principal, interest, and related costs.

B - Other Funds

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

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

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

The Student Body Fund is to account for assets of student groups for which the District has an agency relationship with the activity of the fund.

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

A - Accrual

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

B - Modified Accrual

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

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

Capital Assets: Capital assets purchased or acquired, with an original cost of $5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt, which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position includes 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 55,628,673	$ 18,716,520	$ 74,345,193
Deferred inflows of resources	$ 17,959,000	$ 1,101,000	$ 19,060,000
Net pension liability	$ 159,188,000	$ 59,526,000	$ 218,714,000
Pension expense	$ 25,183,908	$ 10,903,078	$ 36,086,986

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has allocated 2.5 percent of the District's proportionate share of the PERF B net pension liability and related deferred inflows of resources and outflows of resources to the District's business-type activities.

Interfund Activity: Interfund activity is 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/expenses. Reimbursements are 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. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences totaling $1,030,374 are recorded as a liability of the District.

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

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

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

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2- Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

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

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2018, no such designation has occurred.

E - Unassigned Fund Balance:

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Custodial Relationships: The balance sheet for agency funds represents the assets, liabilities and trust accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Based on the implementation of Statement No. 75, the District's July 1, 2017 governmental activities net position was restated by decreasing net position by $6,581,951 because of the recognition of the Total OPEB Liability and Deferred Outflows of Resources.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	Governmental Activities	Business-Type Activities	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	$ 89,515,810	$ 2,379,275	$ -
Deposits:			
Cash on hand and in banks	2,300,157	489,096	1,518,033
Cash in revolving fund	85,000	-	-
Cash with Fiscal Agent	142,217,136	-	-
Total	$234,118,103	$ 2,868,371	$ 1,518,033

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorate 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.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts were $4,392,286, and the bank balances were $5,143,569, of which $4,643,569 was insured.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General	$ 360,659	$ 315,293
Building	742,316	691,963
Non-Major Governmental Funds:		
Charter School	310,528	186,786
Child Development	1,370	9,741
Cafeteria	997	149,788
Capital Facilities	1,020,135	-
County School Facilities	691,963	742,316
Proprietary Fund:		
Student Care Center	1	1,032,082
Totals	$ 3,127,969	$ 3,127,969

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Deferred Maintenance Fund for the current year allocation of deferred maintenance funding.	$ 950,000
Transfer from the General Fund to the Special Reserve for Capital Projects Fund for the cell tower repayment.	200,000
Transfer from the Building Fund to the County Schools Facilities Fund for temporary transfer of funds.	1,291,996
Transfer from the Child Development Fund to the General Fund for indirect costs.	57,887
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	213,774
Transfer from the Student Care Fund to the General Fund for indirect costs.	86,426
Transfer from the Student Care Fund to the Child Development Fund for building loan.	3,442
Transfer from the Student Care Center Fund to the Capital Facilities Fund for Mather Heights construction and Folsom Hills building.	1,651,748
	$ 4,455,273

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017	Additions and Transfers	Deductions and Transfers	Balance June 30, 2018
Non-depreciable:				
Land	$ 49,116,097	$ -	$ -	$ 49,116,097
Work-in-process	55,370,200	45,439,176	(29,657,015)	71,152,361
Depreciable:				
Improvement of sites	30,349,037	468,817	-	30,817,854
Buildings	544,464,070	36,030,962	-	580,495,032
Equipment	44,446,839	5,257,926	-	49,704,765
Totals, at cost	723,746,243	87,196,881	(29,657,015)	781,286,109
Less accumulated depreciation:				
Improvement of sites	(26,611,048)	(1,645,919)	-	(28,256,967)
Buildings	(180,197,903)	(14,538,009)	-	(194,735,912)
Equipment	(10,165,941)	(181,575)	-	(10,347,516)
Total accumulated depreciation	(216,974,892)	(16,365,503)	-	(233,340,395)
Governmental activities capital assets, net	$ 506,771,351	$ 70,831,378	$ (29,657,015)	$ 547,945,714

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 15,575,116
Supervision of instruction	227,564
Instructional library, media and technology	862
School site administration	7,970
Home-to-school transportation	18,458
Food services	32,988
All other pupil services	2,888
Ancillary services	3,840
Enterprise activities	28,978
All other general administration	260,785
Data processing	155,027
Plant services	51,027
Total depreciation expense	$ 16,365,503

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

Certificates of Participation: In November 2015, the District issued 2015 Refunding Certificates of Participation (COPs) in the amount of $17,910,000 to refund the remaining 1998 and 2007 Certificates of Participation. The 2015 Refunding COPs mature through April 2021 and have interest rates ranging from 2.0% to 5.0%.

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

Year Ending June 30,	Payments
2019	$ 3,467,500
2020	3,472,750
2021	3,470,250
	10,410,500
Less amount representing interest	(960,500)
	$ 9,450,000

General Obligation Bonds: In April 1998, the District issued Election of 1997 General Obligation Bonds, Series A, current interest and capital appreciation bonds in an aggregate principal amount of $10,396,455, maturing through October 2022, with interest rates from 4.30% to 5.35%. The annual payments required to amortize the 1997 General Obligation Bonds, Series A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 341,775	$ 643,225	$ 985,000
2020	329,290	680,710	1,010,000
2021	320,250	714,750	1,035,000
2022	307,739	752,261	1,060,000
2023	298,798	786,202	1,085,000
	$ 1,597,852	$ 3,577,148	$ 5,175,000

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2002, the District issued Election of 2002 General Obligation Bonds, Series A, current interest and capital appreciation bonds in an aggregate principal amount of $54,992,172, maturing through July 2027, with interest rates from 3.00% to 5.73%. With the issuance of the 2014 General Obligation Refunding Bonds in January 2014, $12,525,000 of the 2002 General Obligation Bonds current interest bonds were refunded. The annual payments required to amortize the remaining 2002 General Obligation Bonds, Series A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,743,791	$ 2,326,209	$ 4,070,000
2020	1,665,417	2,499,583	4,165,000
2021	1,595,115	2,664,885	4,260,000
2022	1,532,410	2,827,590	4,360,000
2023	1,471,575	2,993,425	4,465,000
2024-2028	6,530,070	17,389,930	23,920,000
	$ 14,538,378	$ 30,701,622	$ 45,240,000

In December 2004, the District issued Election of 2002, General Obligation Bonds, Series B current interest and capital appreciation bonds in an aggregate principal amount of $46,998,849, maturing through October 2029, with interest rates from 2.50% to 5.56%. With the issuance of the 2014 General Obligation Refunding Bonds in January 2014, $28,200,000 of the 2002 General Obligation Bonds current interest bonds were refunded. The annual payments required to amortize the 2002 General Obligation Bonds, Series B outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024-2028	$ 4,627,138	$ 9,302,862	$ 13,930,000
2029-2030	1,606,711	4,468,289	6,075,000
	$ 6,233,849	$ 13,771,151	$ 20,005,000

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In October 2007, the District issued Election of 2007 General Obligation Bonds, Series A and Election of 2006, General Obligation Bonds, Series A current interest and capital appreciation bonds in an aggregate principal amount of $64,993,835 maturing through October 2032, with interest rates from 4% to 5%. The annual payments required to amortize the 2007 General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,130,870	$ 644,130	$ 1,775,000
2020	1,216,053	798,947	2,015,000
2021	1,229,320	925,680	2,155,000
2022	1,325,401	1,124,599	2,450,000
2023	1,351,373	1,278,627	2,630,000
2024-2028	14,748,680	18,651,320	33,400,000
2029-2033	13,332,139	25,532,861	38,865,000
	$ 34,333,836	$ 48,956,164	$ 83,290,000

In October 2009, the District issued Election of 2007 General Obligation Bonds, Series B and Election of 2006, General Obligation Bonds, Series B current interest and capital appreciation bonds in an aggregate principal amount of $44,138,852 maturing through October 2035, with interest rates from 2.00% to 6.50%. With the issuance of the 2017 General Obligation Refunding Bonds, Series A and B in January 2017, $8,585,000 and $22,165,000 of the Series A and Series B, respectively, current interest bonds were refunded on a crossover basis. Refunded bonds will be paid off by October 1, 2019. The annual payments required to amortize the 2007 General Obligation Bonds, Series B outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 287,862	$ 2,627,187	$ 2,915,049
2020	340,940	2,729,784	3,070,724
2021	608,942	3,061,998	3,670,940
2022	1,135,000	2,941,976	4,076,976
2023	1,755,000	3,050,961	4,805,961
2024-2028	11,006,739	22,873,532	33,880,271
2029-2033	13,462,792	37,662,019	51,124,811
2034-2036	12,427,506	31,711,317	44,138,823
	$ 41,024,781	$ 106,658,774	$ 147,683,555

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In January 2014, the District issued Election of 2012 General Obligation Bonds, Series A in an aggregate principal amount of $25,000,000 maturing through October 2038, with interest rates from 4.00% to 5.00%. The annual payments required to amortize the 2012 General Obligation Bonds, Series A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ -	$ 1,021,900	$ 1,021,900
2020	-	1,021,900	1,021,900
2021	-	1,021,900	1,021,900
2022	-	1,021,900	1,021,900
2023	-	1,021,900	1,021,900
2024-2028	2,685,000	4,865,125	7,550,125
2029-2033	5,865,000	3,833,575	9,698,575
2034-2038	9,770,000	2,018,500	11,788,500
2039	2,560,000	-	2,560,000
	$ 20,880,000	$ 15,826,700	$ 36,706,700

In January 2014, the District issued 2014 General Obligation Refunding Bonds to refund a portion of the 2002 General Obligation Bonds, Series A and Series B and pay the costs of issuance. The Refunding Bonds of $38,535,000 mature through October 2029, with interest rates from 2.75% to 5.00%. The annual payments required to amortize the 2014 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,205,000	$ 891,663	$ 3,096,663
2020	2,385,000	782,638	3,167,638
2021	2,575,000	661,613	3,236,613
2022	2,780,000	527,738	3,307,738
2023	3,000,000	408,494	3,408,494
2024-2028	4,745,000	1,234,875	5,979,875
2029-2030	2,430,000	123,748	2,553,748
	$ 20,120,000	$ 4,630,769	$ 24,750,769

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2015, the District issued 2015 General Obligation Refunding Bonds to refund a portion of the 2006 General Obligation Bonds, Series A and pay the costs of issuance. The Refunding Bonds of $11,430,000 mature through October 2022, with interest rates from 2.0% to 5.0%. The annual payments required to amortize the 2015 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,735,000	$ 560,750	$ 2,295,750
2020	1,965,000	474,000	2,439,000
2021	2,220,000	375,750	2,595,750
2022	2,500,000	264,750	2,764,750
2023	2,795,000	139,750	2,934,750
	$ 11,215,000	$ 1,815,000	$ 13,030,000

In July 2015, the District issued Election of 2012 General Obligation Bonds, Series B in an aggregate principal amount of $30,000,000 maturing through October 2040, with interest rates from 3.25% to 5.00%. The annual payments required to amortize the 2012 General Obligation Bonds, Series B outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 150,000	$ 1,169,719	$ 1,319,719
2020	250,000	1,165,219	1,415,219
2021	355,000	1,157,719	1,512,719
2022	465,000	1,147,069	1,612,069
2023	585,000	1,133,119	1,718,119
2024-2028	2,475,000	5,340,494	7,815,494
2029-2033	4,210,000	4,731,319	8,941,319
2034-2038	7,340,000	3,529,850	10,869,850
2039-2041	12,200,000	1,129,348	13,329,348
	$ 28,030,000	$ 20,503,856	$ 48,533,856

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2015, the District issued Election of 2014 General Obligation Bonds, Series A in an aggregate principal amount of $40,000,000 maturing through October 2040, with interest rates from 2.0% to 5.0%. The annual payments required to amortize the 2014 General Obligation Bonds, Series A outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 110,000	$ 1,220,125	$ 1,330,125
2020	165,000	1,217,925	1,382,925
2021	225,000	1,214,625	1,439,625
2022	290,000	1,210,125	1,500,125
2023	355,000	1,204,325	1,559,325
2024-2028	3,065,000	5,709,575	8,774,575
2029-2033	5,840,000	4,834,825	10,674,825
2034-2038	9,905,000	3,087,975	12,992,975
2039-2041	8,415,000	691,400	9,106,400
	$ 28,370,000	$ 20,390,900	$ 48,760,900

In January 2016, the District issued Election of 2014 General Obligation Bonds, Series B in an aggregate principal amount of $83,000,000 maturing through October 2041, with interest rates from 1.50% to 5.00%. The annual payments required to amortize the 2014 General Obligation Bonds, Series B outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,415,000	$ 3,872,263	$ 5,287,263
2020	1,565,000	3,808,888	5,373,888
2021	425,000	3,771,588	4,196,588
2022	415,000	3,758,836	4,173,836
2023	805,000	3,726,613	4,531,613
2024-2028	5,730,000	18,044,063	23,774,063
2029-2033	14,215,000	15,568,938	29,783,938
2034-2038	24,330,000	10,857,488	35,187,488
2039-2042	34,100,000	3,867,927	37,967,927
	$ 83,000,000	$ 67,276,604	$ 150,276,604

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In February 2017, the District issued 2017 General Obligation Crossover Refunding Bonds to refund a portion of the 2007 General Obligation Bonds, Series B and 2006 General Obligation Bonds, Series B and pay the costs of issuance. The Refunding Bonds of $30,290,000 mature through October 2035, with interest rates from 2.5% to 5.0%. The annual payments required to amortize the 2017 General Obligation Refunding Bonds outstanding as of June 30, 2018, are as follows:

2019	$ -	$ 1,320,100	$ 1,320,100
2020	-	1,320,100	1,320,100
2021	-	1,312,900	1,312,900
2022	1,070,000	1,282,800	2,352,800
2023	1,640,000	1,217,025	2,857,025
2024-2028	7,440,000	4,676,813	12,116,813
2029-2033	7,825,000	3,030,647	10,855,647
2034-2036	12,315,000	297,990	12,612,990
	$ 30,290,000	$ 14,458,375	$ 44,748,375

In April 2018, the District issued Election of 2014 General Obligation Bonds, Series C in an aggregate principal amount of $95,000,000 maturing through October 2043, with interest rates from 3.5% to 5.0%. The annual payments required to amortize the 2014 General Obligation Bonds, Series C outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ -	$ 1,502,238	$ 1,502,238
2020	1,950,000	3,835,500	5,785,500
2021	10,000	3,757,500	3,767,500
2022	350,000	3,757,100	4,107,100
2023	40,000	3,743,100	3,783,100
2024-2028	5,060,000	18,268,000	23,328,000
2029-2033	10,120,000	16,702,500	26,822,500
2034-2038	18,025,000	14,076,800	32,101,800
2039-2043	44,000,000	9,426,200	53,426,200
2044	15,445,000	617,800	16,062,800
	$ 95,000,000	$ 75,686,738	$ 170,686,738

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Capital Lease: The District has entered into capital lease agreements for the acquisition of school busses and electronic equipment totaling $5,566,447. At June 30, 2018, the accumulated depreciation related to these assets totaled $3,357,079. The following is a schedule of the future payments for the capital lease:

Year Ending June 30,	Payments
2019	$ 312,402
2020	309,466
2021	309,466
2022	309,466
2023	309,466
2024	309,466
	1,859,732
Less amount representing interest	(202,368)
	$ 1,657,364

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018 is shown below:

Governmental Activities:	Balance July 1, 2017 As restated	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Certificates of Participation	$ 12,305,000	$ -	$ 2,855,000	$ 9,450,000	$ 2,995,000
General Obligation Bonds	334,258,303	95,000,000	14,624,607	414,633,696	9,119,298
Unamortized premium	18,835,544	5,125,476	1,390,743	22,570,277	1,454,382
Accreted interest on General Obligation Bonds	52,974,346	6,501,804	1,270,393	58,205,757	3,680,702
Capitalized lease obligation	59,793	1,963,900	366,329	1,657,364	256,134
Total OPEB liability (Note 9)	19,574,968	2,495,250	-	22,070,218	-
Net pension liability (Notes 7 and 8)	192,394,422	24,404,196	-	216,798,618	-
Compensated absences	1,099,195	-	68,821	1,030,374	1,030,373
Totals	$ 631,501,571	$ 135,490,626	$ 20,575,893	$ 746,416,304	$ 18,535,889

Business-Type Activities:	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Net pension liability (Notes 7 and 8)	$ 1,246,578	$ 668,804	$ -	$ 1,915,382	$ -

Payments on the Certificates of Participation are made from the Child Development, Cafeteria, and Capital Facilities Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments on the other postemployment benefits, net pension liability and compensated absences are made from the Fund for which the related employee worked.

(Continued)

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 75,000	$ -	$ -	$ 10,000	$ 85,000
Stores inventory	-	-	-	1,701	1,701
Subtotal nonspendable	75,000	-	-	11,701	86,701
Restricted:					
Cafeteria	-	-	-	2,705,773	2,705,773
Maintenance	-	-	-	2,198,621	2,198,621
Other legally restricted programs	10,957,534	-	-	1,575,553	12,533,087
Capital projects	-	148,322,727	-	23,566,242	171,888,969
Debt service	-	-	24,241,956	-	24,241,956
Subtotal restricted	10,957,534	148,322,727	24,241,956	30,046,189	213,568,406
Committed:					
EL/LI	3,421,098	-	-	-	3,421,098
Subtotal committed	3,421,098	-	-	-	3,421,098
Assigned:					
Carryover	1,384,762	-	-	-	1,384,762
Intel/Donations	835,642	-	-	-	835,642
Instructional Materials	2,029,643	-	-	-	2,029,643
CTE	979,761	-	-	-	979,761
Subtotal assigned	5,229,808	-	-	-	5,229,808
Unassigned:					
Designated for economic uncertainty	6,800,000	-	-	-	6,800,000
Undesignated	709,613	-	-	-	709,613
Subtotal unassigned	7,509,613	-	-	-	7,509,613
Total fund balances	$ 27,193,053	$ 148,322,727	$ 24,241,956	$ 30,057,890	$ 229,815,626

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

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

The Defined Benefit (DB) 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 survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which 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 percent of final compensation for each year 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 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of service, or for classroom teachers with less 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 members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive months of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 percent of final compensation for each year 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 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

<u>Contributions</u>: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $14,295,673 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

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 specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding(1)	Total State Appropriation to DB Program
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.571%(3)

(1)This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2)In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.
(3)The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and 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 that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 159,188,000
State's proportionate share of the net pension liability associated with the District	94,175,000
Total	$ 253,363,000

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 school Districts and the State. At June 30, 2017, the District's proportion was 0.172 percent, which was an decrease of 0.006 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $25,183,908 and revenue of $9,359,369 for 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
Difference between expected and actual experience	$ 589,000	$ 2,776,000
Changes of assumptions	29,491,000	-
Net differences between projected and actual earnings on investments	-	4,240,000
Changes in proportion and differences between District contributions and proportionate share of contributions	11,253,000	10,943,000
Contributions made subsequent to measurement date	14,295,673	-
Total	$ 55,628,673	$ 17,959,000

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

$14,295,673 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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:

Years Ended June 30,	
2019	$ 975,950
2020	$ 7,169,950
2021	$ 4,886,950
2022	$ 735,283
2023	$ 5,779,533
2024	$ 3,826,334

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. 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. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in 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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

	Measurement Period	
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%

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. 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 in accordance with the rate increase per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense 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.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$233,738,000	$159,188,000	$ 98,685,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $5,317,520 to the plan for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of $59,526,000 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. 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 school districts. At June 30, 2017, the District's proportion was 0.249 percent, which was an decrease of .003 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $10,903,078. 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
Difference between expected and actual experience	$ 2,133,000	$ -
Changes of assumptions	8,695,000	701,000
Net differences between projected and actual earnings on investments	2,059,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	512,000	400,000
Contributions made subsequent to measurement date	5,317,520	-
Total	$ 18,716,520	$ 1,101,000

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

$5,317,520 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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:

Years Ended June 30,	
2019	$ 3,537,750
2020	$ 5,930,750
2021	$ 3,957,250
2022	$ (1,127,750)

Differences between expected and actual experience, changes in proportion and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. 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 Plan 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. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return Years 1-10 (1)	Expected Real Rate of Return Years 11+
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan 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 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.

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 cash flows of the Plan. 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 Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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. 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 equivalent to the single equivalent rate calculated above and and adjusted to account for assumed administrative expenses.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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 percent, 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 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 87,582,000	$ 59,526,000	$ 36,252,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees. The plan does not issue separate financial statements.

The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements to continue health coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Plan members	95
Active employees	1,855
	1,950

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits Provided*:* The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. Management and supervisory employees reaching retirement age of CalPERS or STRS and employed by the District for 10 years of full-time service, are eligible for medical coverage for a maximum of 13 years of benefits or age 68, whichever comes first. A maximum monthly benefit does not exceed $475 per month for personnel before the age of 65, and $175 per month for ages 65 to 68. Certificated employees reaching retirement age of STRS and placement on the Certificated Salary Schedule Class 4 or 5, Step 12, are eligible for medical coverage for a maximum of 10 years of benefits or age 65, whichever comes first. A maximum monthly benefit does not exceed $475 per month. Classified employees reaching retirement age of PERS and 10 years of full-time service with the District, are eligible for medical coverage for a maximum of 10 years of benefits or age 65, whichever comes first. A maximum monthly benefit does not exceed $500 per month.

Contributions*:* California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the District were $1,774,998 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Fiscal Year End	June 30
Actuarial Value of Assets	Market Value
Mortality Rate	2009 CalSTRS and 2014 CalPERS Mortality Tables
Discount Rate	3.5%. Based on the Bond Buyer 20-Bond Index.
Assumed Investment Return	Not applicable since the plan is unfunded.
Retirement Rate and	Retirement rates march rates developed in the experience studies for California PERS (2009) California STRS (2009).
Inflation Rate	2.75% per year
Salary Increases	2.75% per year
Health Care Inflation	4.0%
Termination Rate	California PERS (2009) and California STRS (2009).
Disability Rate	None
Funding Method Pay).	Entry Age Cost Method (Level Percentage of

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 19,574,968
Changes for the year:	
Service cost	2,676,927
Interest	714,990
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	(896,667)
Administrative expenses	-
Net change	2,495,250
Balance at June 30, 2018	$ 22,070,218

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$ 23,618,809	$ 22,070,218	$ 20,691,510

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3%)	Healthcare Cost Trend Rates Rate (4%)	1% Increase (5%)
Total OPEB liability	$ 21,151,370	$ 22,070,218	$ 22,899,174

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $3,391,917. 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
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Benefits paid subsequent to measurement date	1,774,998	-
Total	$ 1,774,998	$ -

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

$1,774,998 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member with other school districts in two Joint Powers Authorities, Schools Excess Liability Fund (SELF) and Schools Insurance Authority (SIA) (Deductible Fund, only). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of condensed financial information of SELF and SIA as of June 30, 2018 and June 30, 2017 (the latest information available), respectively.

	SELF	SIA
Total assets	$ 118,692,006	$ 140,450,093
Deferred outflows of resources	$ 497,939	$ 1,580,594
Total liabilities	$ 101,064,545	$ 67,894,697
Deferred inflows of resources	$ 28,087	$ 253,160
Net position	$ 18,097,313	$ 73,882,830
Total revenue	$ 15,139,473	$ 54,917,755
Total expenses	$ 19,471,187	$ 47,903,083

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

NOTE 11 - CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2018, the District has $100 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 112,183,419	$ 107,639,731	$ 107,639,731	$ -
Local sources	50,334,028	55,777,951	55,777,951	-
Total LCFF	162,517,447	163,417,682	163,417,682	-
Federal sources	8,467,592	10,199,438	10,199,438	-
Other state sources	24,425,920	28,441,674	28,441,674	-
Other local sources	5,671,963	6,642,317	6,642,317	-
Total revenues	201,082,922	208,701,111	208,701,111	-
Expenditures:				
Current:				
Certificated salaries	93,440,282	99,137,575	99,137,575	-
Classified salaries	33,386,134	34,483,165	34,483,165	-
Employee benefits	44,644,452	46,576,782	46,576,782	-
Books and supplies	10,087,748	7,793,081	7,793,081	-
Contract services and operating expenditures	20,181,137	20,621,081	20,621,081	-
Other outgo	278,246	1,337,068	1,337,068	-
Capital outlay	226,252	3,015,309	3,015,309	-
Debt service:				
Principal retirement	-	366,329	366,329	-
Interest	-	11,243	11,243	-
Total expenditures	202,244,251	213,341,633	213,341,633	-
Deficiency of revenues under expenditures	(1,161,329)	(4,640,522)	(4,640,522)	-
Other financing sources (uses):				
Transfers in	93,855	358,087	358,087	-
Transfers out	(1,750,000)	(1,150,000)	(1,150,000)	-
Proceeds from capital lease	-	1,963,900	1,963,900	-
Total other financing sources (uses)	(1,656,145)	1,171,987	1,171,987	-
Net change in fund balance	(2,817,474)	(3,468,535)	(3,468,535)	-
Fund balance, July 1, 2017	30,661,588	30,661,588	30,661,588	-
Fund balance, June 30, 2018	$ 27,844,114	$ 27,193,053	$ 27,193,053	$ -

See accompanying note to required supplementary information.

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
FUNDING PROGRESS
For the Year Ended June 30, 2018

Last 10 Fiscal Years

Total OPEB liability	
Service cost	$ 2,676,927
Interest	714,990
Change in assumptions	-
Benefit payments	(896,667)
Net change in total OPEB liability	2,495,250
Total OPEB liability, beginning of year	19,574,968
Total OPEB liability, end of year	$ 22,070,218
Covered employee payroll	$ 113,067,000
Total OPEB liability as a percentage of covered-employee payroll	19.52%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.171%	0.170%	0.178%	0.172%
District's proportionate share of the net pension liability	$100,071,000	$114,579,000	$143,862,000	$159,188,000
State's proportionate share of the net pension liability associated with the District	60,427,000	60,599,000	81,906,000	94,175,000
Total net pension liability	$160,498,000	$175,178,000	$225,768,000	$253,363,000
District's covered payroll	$ 76,273,000	$ 78,993,000	$ 88,645,000	$ 91,229,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	0.246%	0.247%	0.252%	0.249%
District's proportionate share of the net pension liability	$ 27,891,000	$ 36,423,000	$ 49,779,000	$ 59,526,000
District's covered payroll	$ 27,356,000	$ 27,356,000	$ 30,238,000	$ 31,792,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	101.96%	133.14%	164.62%	187.24%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 7,014,586	$ 9,511,596	$ 11,626,528	$ 14,295,673
Contributions in relation to the contractually required contribution	(7,014,586)	(9,511,596)	(11,626,538)	(14,295,673)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 78,993,000	$ 88,645,000	$ 91,229,000	$ 99,069,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 3,220,090	$ 3,582,309	$ 4,410,078	$ 5,317,520
Contributions in relation to the contractually required contribution	(3,220,090)	(3,582,309)	(4,410,078)	(5,317,520)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 27,356,000	$ 30,238,000	$ 31,792,000	$ 34,238,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s Total OPEB Liability.

C - Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District’s Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District’s required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

Assumption	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75	3.75%

SUPPLEMENTARY INFORMATION

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

	Charter School Fund	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
ASSETS									
Cash in County Treasury	$ 20,483	$ 816,704	$ 652,674	$ 1,226,333	$ 2,353,648	$ 13,013,339	$ 58,853	$ 9,123,195	$ 27,265,229
Cash on hand and in banks	180	4,292	-	149,244	-	320,523	-	99,250	573,489
Cash in revolving fund	10,000	-	-	-	-	-	-	-	10,000
Receivables	1,406	311,870	5,656	1,507,220	11,626	228,996	120	74,443	2,141,337
Due from other funds	310,528	-	1,370	997	-	1,020,135	691,963	-	2,024,993
Stores inventory	-	-	-	1,701	-	-	-	-	1,701
Total assets	$ 342,597	$ 1,132,866	$ 659,700	$ 2,885,495	$ 2,365,274	$ 14,582,993	750,936	$ 9,296,888	$ 32,016,749
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 17,565	$ 3,620	$ 4,695	$ 28,233	$ 166,653	$ 316,019	$ 5,740	$ 500	$ 543,025
Unearned Revenue	-	-	327,203	-	-	-	-	-	327,203
Due to other funds	186,786	-	9,741	149,788	-	-	742,316	-	1,088,631
Total liabilities	204,351	3,620	341,639	178,021	166,653	316,019	748,056	500	1,958,859
Fund balances:									
Nonspendable	10,000	-	-	1,701	-	-	-	-	11,701
Restricted	128,246	1,129,246	318,061	2,705,773	2,198,621	14,266,974	2,880	9,296,388	30,046,189
Total fund balances	138,246	1,129,246	318,061	2,707,474	2,198,621	14,266,974	2,880	9,296,388	30,057,890
Total liabilities and fund balances	$ 342,597	$ 1,132,866	$ 659,700	$ 2,885,495	$ 2,365,274	$ 14,582,993	$ 750,936	$ 9,296,888	$ 32,016,749

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2018

	Charter School Fund	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Projects Fund	Total
Revenues:									
LCFF:									
State apportionment	$ 524,352	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 524,352
Local sources	310,528	-	-	-	650,566	-	-	-	961,094
Total LCFF	834,880	-	-	-	650,566	-	-	-	1,485,446
Federal sources	-	244,138	-	4,641,502	-	-	-	-	4,885,640
Other state sources	98,207	833,307	1,664,138	1,365,045	-	1,149	-	-	3,961,846
Other local sources	2,898	316,638	11,822	614,637	25,214	12,040,096	120	416,692	13,428,117
Total revenues	935,985	1,394,083	1,675,960	6,621,184	675,780	12,041,245	120	416,692	23,761,049
Expenditures:									
Current:									
Certificated salaries	458,990	702,394	51,731	-	-	-	-	-	1,213,115
Classified salaries	61,684	231,005	951,283	1,946,745	129,953	526,549	-	-	3,847,219
Employee benefits	164,487	284,785	389,729	624,765	43,084	175,256	-	-	1,682,106
Books and supplies	50,255	75,904	109,232	2,947,894	-	28,900	-	-	3,212,185
Contract services and operating expenditures	261,420	41,931	51,123	181,241	1,086,351	106,724	-	32,336	1,761,126
Capital outlay	-	-	-	-	941,189	3,004,587	1,289,236	328,587	5,563,599
Debt service:									
Principal retirement	-	-	1,704	3,564	-	2,849,732	-	-	2,855,000
Interest	-	-	368	(7,797)	-	614,118	-	-	606,689
Total expenditures	996,836	1,336,019	1,555,170	5,696,412	2,200,577	7,305,866	1,289,236	360,923	20,741,039
(Deficiency) excess of revenues (under) over expenditures	(60,851)	58,064	120,790	924,772	(1,524,797)	4,735,379	(1,289,116)	55,769	3,020,010
Other financing sources (uses):									
Transfers in	-	-	3,442	-	950,000	1,651,748	1,291,996	200,000	4,097,186
Transfers out	-	-	(57,887)	(213,774)	-	-	-	-	(271,661)
Total other financing sources (uses)	-	-	(54,445)	(213,774)	950,000	1,651,748	1,291,996	200,000	3,825,525
Net change in fund balances	(60,851)	58,064	66,345	710,998	(574,797)	6,387,127	2,880	255,769	6,845,535
Fund balances, July 1, 2017	199,097	1,071,182	251,716	1,996,476	2,773,418	7,879,847	-	9,040,619	23,212,355
Fund balances, June 30, 2018	$ 138,246	$ 1,129,246	$ 318,061	$ 2,707,474	$ 2,198,621	$ 14,266,974	$ 2,880	$ 9,296,388	$ 30,057,890

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Student Body				
High Schools				
Assets:				
Cash on hand and in banks	$ 952,603	$ 1,797,692	$ 1,849,022	$ 901,273
Liabilities:				
Due to student groups	$ 952,603	$ 1,797,692	$ 1,849,022	$ 901,273
Middle Schools				
Assets:				
Cash on hand and in banks	$ 470,191	$ 326,928	$ 394,463	$ 402,656
Liabilities:				
Due to student groups	$ 470,191	$ 326,928	$ 394,463	$ 402,656
Elementary Schools				
Assets:				
Cash on hand and in banks	$ 216,362	$ 715,101	$ 717,359	$ 214,104
Liabilities:				
Due to student groups	$ 216,362	$ 715,101	$ 717,359	$ 214,104
Total Student Body Funds				
Assets:				
Cash on hand and in banks	$ 1,639,156	$ 2,839,721	$ 2,960,844	$ 1,518,033
Liabilities:				
Due to student groups	$ 1,639,156	$ 2,839,721	$ 2,960,844	$ 1,518,033

Folsom Cordova Unified School District was established in 1949. The District is currently operating twenty-one elementary schools, four middle schools, three high schools, two continuation high schools, thirteen preschools, seventeen student-care centers, an independent study high school, an adult education program, an adolescent parent program, a community charter school, and a community day school. There were no changes in the boundaries of the District during the year.

GOVERNING BOARD

Name	Office	Term Expires
JoAnne Reinking	President	2020
Sarah Aquino	Vice President	2018
Chris Clark	Clerk	2020
Zak Ford	Member	2018
Ed Short	Member	2018

ADMINISTRATION

Sarah Koligian
Superintendent

Rhonda Crawford
Assistant Superintendent, Business Services

Curtis Wilson
Assistant Superintendent, Elementary Instruction

Kathryn Allman
Assistant Superintendent, Secondary Instruction

Don Ogdon
Assistant Superintendent, Human Resources

Betty Jo Wessinger
Director of SELPA, Student Support Services

Kristi Blandford
Director of Fiscal Services

SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	Second Period Report	Annual Report
DISTRICT		
Certificate Numbers	DB526A74	BEEDF69
Elementary:		
Transitional Kindergarten through Third	5,815	5,670
Fourth through Sixth	4,513	4,601
Seventh and Eighth	2,962	3,052
Subtotal Elementary	13,290	13,323
Secondary:		
Ninth through Twelfth	6,059	6,033
District Totals	19,349	19,356
CHARTER SCHOOL		
Certificate Numbers	ECDB19E4	FDCC1303
Folsom Cordova Community Charter School (Nonclassroom Based):		
Transitional Kindergarten through Third	43	44
Fourth through Sixth	33	33
Seventh and Eighth	35	35
Charter School Total	111	112

See accompanying notes to supplementary information.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2018

Grade Level	Statutory Minutes Require-ment	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT				
Kindergarten	36,000	36,381	181	In compliance
Grade 1	50,400	54,348	181	In compliance
Grade 2	50,400	54,348	181	In compliance
Grade 3	50,400	54,348	181	In compliance
Grade 4	54,000	54,348	181	In compliance
Grade 5	54,000	54,348	181	In compliance
Grade 6	54,000	61,670	181	In compliance
Grade 7	54,000	61,670	181	In compliance
Grade 8	54,000	61,670	181	In compliance
Grade 9	64,800	65,273	181	In compliance
Grade 10	64,800	65,273	181	In compliance
Grade 11	64,800	65,273	181	In compliance
Grade 12	64,800	65,273	181	In compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	10115	$ 3,108,043
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	104,384
84.173	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13430	1,000
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5)	13682	410,901
84.027	Special Ed: Alternate Dispute Resolution, Part B, Sec 611	13007	26,387
84.027A	Special Education: IDEA Mental Health Services	15197	224,866
	Subtotal Special Education Cluster		3,875,581
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	87,078
84.002	Adult Education: Adult Secondary Education	13978	106,360
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	50,700
	Subtotal Adult Education Programs		244,138
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant Education Program	15146	63,069
84.365	ESEA: Title III, English Learner Student Program	14346	274,724
	Subtotal ESEA: Title III Programs		337,793
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	3,899,227
84.377	ESEA: Title I, School Improvement Grant (SIG)	15364	740,441
84.196	ESEA: Title X McKinney-Vento Homeless Children Assistance Grants	14332	83,881

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (continued)		
84.048	Carl D.Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	$ 117,467
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	563,613
84.330B	ESEA Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	765
84.181	Special Education: IDEA Early Intervention Grants, Part C	23761	91,745
	Total U.S. Department of Education		9,954,651
	U.S. Department of Health and Human Services - Passed through California Department of Education		
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	249,928
	Total U.S. Department of Health and Human Services		249,928
	U.S. Department of Agriculture - Passed through California Department of Education		
10.555	Child Nutrition: School Programs: Child Nutrition Cluster	13391	4,376,926
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	242,849
	Total U.S. Department of Agriculture		4,619,775
	Total Federal Programs		$ 14,824,354

See accompanying notes to supplementary information.

	Student Care Center Fund
June 30, 2018 Unaudited Actual Financial Reporting Ending Fund Balance:	$ 2,202,463
Client requested adjustment for GASB 68	(1,431,223)
June 30, 2018 Audit Financial Statements Ending Fund Balance	$ 771,240

	Bond Interest and Redemption Fund
June 30, 2018 Unaudited Actual Financial Reporting Ending Fund Balance:	$ 19,328,306
Client requested adjustment to record the debt issuance premium in the Bond Interest and Redemption Fund	4,913,650
June 30, 2018 Audit Financial Statements Ending Fund Balance	$ 24,241,956

There were no adjustments proposed to any other funds of the District.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
(Unaudited)

	(Budgeted) 2019	2018	2017	2016
General Fund				
Revenues and other financing sources	$210,751,439	$211,023,098	$201,855,875	$197,558,985
Expenditures	212,254,975	213,341,633	206,539,240	185,340,303
Other uses and transfers out	1,965,000	1,150,000	1,150,000	2,137,354
Total outgo	214,219,975	214,491,633	207,689,240	187,477,657
Changes in fund balance	$ (3,468,536)	$ (3,468,535)	$ (5,833,365)	$ 10,081,328
Ending fund balance	$ 23,724,517	$ 27,193,053	$ 30,661,588	$ 36,494,953
Available reserves	$ 7,429,396	$ 7,509,613	$ 9,180,958	$ 6,008,969
Designated for economic uncertainties	$ 6,775,000	$ 6,800,000	$ 6,345,000	$ 5,700,000
Undesignated fund balance	$ 654,396	$ 709,613	$ 2,835,958	$ 308,969
Available reserves as percentages of total outgo	3.5%	3.50%	4.42%	3.21%
All Funds				
Total long-term liabilities	$727,880,415	$746,416,304	$638,083,522	$487,145,826
Average daily attendance at P-2	19,398	19,349	19,297	18,902

The General Fund fund balance has increased by $779,428 over the past three years. The fiscal year 2018-2019 budget projects an decrease of $3,468,536. For a district this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo). The District met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the fiscal year 2018-2019.

Total long-term liabilities have increased by $259,270,478 over the past two years, primarily due to debt issuance and recognition of net pension liability.

Average daily attendance has increased by 447 over the past two years. An increase of 49 ADA is projected for the 2018-2019 fiscal year.

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

Charter #	Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
0650	Folsom Cordova Community Charter School	Included in District Financial Statements as Charter School Fund.

See accompanying notes to supplementary information.

SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2018

	First 5 Sacramento
Revenues:	
Other local sources	$ 494,904
Expenditures:	
Current:	
Certificated salaries	110,263
Classified salaries	231,996
Employee benefits	94,101
Books and supplies	16,985
Contract services and operating expenditures	23,671
Indirect costs	17,888
Total expenditures	494,904
Net change in fund balance	-
Fund balances, July 1, 2017	-
Fund balances, June 30, 2018	$ -

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Folsom Cordova Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed un the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. .

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 15,085,078
Medi-Cal Billing Option funds received in excess of expenditures	93.778	(59,150)
Medi-Cal Administrative Activities funds received in excess of expenditures	93.778	(179,846)
Child Nutrition: CACFP Claims received in excess of expenditures	10.558	(21,728)
Total Schedule of Expenditure of Federal Awards		$ 14,824,354

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

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

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2018-2019 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance with State Laws and Regulations

We have audited Folsom Cordova Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2018.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
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	Yes
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

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

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

The District does not have Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not offer Apprenticeship: Related and Supplemental Instruction, therefore we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.

The District did not have any expenditures related to California Clean Energy Jobs Act; therefore, we did not perform any procedures.

We did not perform any procedures related to After School Education and Safety Program - Before School because the District does not operate a program before school.

We did not perform any procedures related to Mode of Instruction, for charter schools and Annual Instructional Minutes - Classroom-Based, for charter schools, because the District's charter school had no classroom based ADA.

The District did not have any expenditures related to Charter School Facilities Grant; therefore, we did not perform any procedures.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Folsom Cordova Unified School District's compliance with state laws and regulations as listed above 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 K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Folsom Cordova Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Folsom Cordova Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Folsom Cordova Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2018-002 and 2018-003 in the accompanying Schedule of Audit Findings and Questioned Costs, Folsom Cordova Unified School District did not comply with requirements regarding Ratio of Administrative Employees to Teachers and Attendance. Compliance with such requirements is necessary, in our opinion, for Folsom Cordova Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Ratio of Administrative Employees to Teachers and Attendance.

(Continued)

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Folsom Cordova Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

Other Matters

Folsom Cordova Unified School District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. Folsom Cordova Unified School District's responses were not subjected to the auditing procedures applied in our audit of compliance and, accordingly, we express no opinion on them.

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 State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 17, 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
Folsom Cordova Unified School District
Folsom, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Folsom Cordova Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Folsom Cordova Unified School District's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Folsom Cordova Unified School 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 Folsom Cordova Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Folsom Cordova Unified School 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.

We did identify a deficiency in internal control that we communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2018-001.

(Continued)

Compliance and Other Matters

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

Other Matter

Folsom Cordova Unified School District's response to the finding identified in our audit is described in the accompanying schedule of Audit Findings and Questioned Costs. Folsom Cordova Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this 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 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.

Crowe LLP

Crowe LLP

Sacramento, California
December 17, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance for Each Major Federal Program

We have audited Folsom Cordova Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Folsom Cordova Unified School District's major federal programs for the year ended June 30, 2018. Folsom Cordova Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Folsom Cordova Unified School District's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Folsom Cordova Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Folsom Cordova Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

(Continued)

Report on Internal Control Over Compliance

Management of Folsom Cordova Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Folsom Cordova Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Folsom Cordova Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 17, 2018

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

Board of Education
Folsom Cordova Unified School District
Folsom, California

Report on Compliance with the First 5 Sacramento County Program

We have audited the compliance of Folsom Cordova Unified School District with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on the First 5 Sacramento County Program for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on Folsom Cordova Unified School District's First 5 Sacramento County Program 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 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Folsom Cordova Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the First 5 Sacramento County Program. However, our audit does not provide a legal determination on Folsom Cordova Unified School District's compliance with those requirements.

Opinion on the First 5 Sacramento County Program

In our opinion, Folsom Cordova Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2018.

Crowe LLP

Crowe LLP

Sacramento, California
December 17, 2018

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	x	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______	Yes	x	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a)?	______	Yes	x	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	x	Yes	______	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - DEFICIENCY – INTERNAL CONTROLS - CAPITAL ASSETS (30000)

Criteria

Generally accepted accounting principles regarding internal controls, *Education Code* Section 35168, and federal funding agencies require LEAs to maintain records that properly account for capital assets.

Condition

The District's method of maintaining detailed records of all capital assets as required by GASB Statement No. 34 and California Education Code does not always include the following: description of asset, asset class, historical cost, date of acquisition or date placed into service, location of use, useful life, accumulated depreciation and information related to disposal (if applicable). The District tracks capital assets by project therefore does not include the information needed to determine cost, date of acquisition, useful life, or accumulated depreciation for each asset. For any assets acquired outside of construction project listings, depreciation may not be applied.

During our testing of work in process completed as of year-end, it was noted that the District had not input the completed assets on their completed project tracking workbook, but had marked them completed in their work in process detail.

Effect

Inefficiencies in obtaining and supporting capital assets amounts reported in the Statement of Net Position.

Cause

The District does not have a capital asset tracking system in place.

Fiscal Impact

Not determinable.

Recommendation

The District utilize a capital asset tracking system to ensure all assets are accounted for and depreciated.

Views of Responsible Officials and Planned Corrective Actions

The District will work to implement a capital asset tracking system to ensure all assets are accounted for and depreciated.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-002 - DEFICIENCY – STATE COMPLIANCE – RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS (40000)

Criteria

The maximum ratio of administrative employees to each 100 teachers in the school district shall be 8.

Condition

The number of administrative employees per hundred teachers exceeded the allowable ratio set forth in Education Code section 41402 by 1 FTE.

Effect

The effect of this finding is a potential reduction in state support resulting from excess administrative employees.

Cause

Controls have not been enforced to ensure adequate monitoring of the ratio of administrative employees to teachers.

Fiscal Impact

Approximately $80,000 reduction in state support resulting from excess administrative employees.

Recommendation

The District should closely monitor the ratio of administrative employees to teachers.

Views of Responsible Officials and Planned Corrective Actions

District staff will review practices with site staff and remind them that accuracy is critical.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

2018-003 - DEFICIENCY – STATE COMPLIANCE – ATTENDANCE (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b) and Education Code Sections 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the state.

Condition

At Natoma Station Elementary School one student was improperly included for a total misstatement of 1 day.

Effect

The effect of this finding is an overstatement of 0.01 ADA in the fourth through sixth grade span.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

No fiscal impact as the effect is less than 0.5 ADA.

Recommendation

The District should ensure attendance records are accurately recorded

Views of Responsible Officials and Planned Corrective Actions

District staff are working with sites to ensure they reconcile attendance logs with attendance records to ensure attendance is accurately recorded.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-001 Condition: The Kindergarten Continuance form for one student was improperly completed. Recommendation: The District should ensure Kindergarten Continuance Forms are properly completed for every student.	Implemented	

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FOLSOM, CITY OF RANCHO CORDOVA AND SACRAMENTO COUNTY

The following material is descriptive of Sacramento County (the "County"), the City of Folsom ("Folsom") and the City of Rancho Cordova ("Rancho Cordova," and together with Folsom, the "Cities"). This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the School District, its Municipal Advisor or the Underwriter.

General

City of Folsom. Folsom was incorporated in 1946 and became a charter city in 1990. Folsom is located 110 miles northeast of San Francisco and 20 miles east of Sacramento along the eastern end of the Highway 50 corridor. Folsom operates under a Council-Manager form of government with the City Council as the main governing body composed of five members elected at large and serving four year terms. The mayor and vice mayor are chosen on an annual basis from the City Council members and the City Manager is appointed by the Council.

City of Rancho Cordova. Rancho Cordova was incorporated on July 1, 2003 and is located in the northeastern central valley. Rancho Cordova is a general law city and operates under a Council-Manager form of government with five elected members with the mayor being selected from the members and serving one year. The Council members serve at large without representing a designated area.

Sacramento County. Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, became the State Capital in 1854, is the seat of government for the State of California and also serves as the County seat. The County encompasses approximately 994 square miles and is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. The County has a charter form of government and is governed by a five-member Board of Supervisors, who are elected to serve four-year terms.

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Population

The following table shows historical population figures for the Cities, the County and the State of California from 2010 through 2019.

POPULATION ESTIMATES
City of Folsom, City of Rancho Cordova, Sacramento County and State of California
2010 through 2019

Year[1]	City of Folsom	City of Rancho Cordova	County of Sacramento	State of California
2010[2]	72,203	64,776	1,418,788	37,253,956
2011	72,616	65,653	1,432,359	37,594,781
2012	73,190	66,656	1,444,950	37,971,427
2013	72,765	68,055	1,456,502	38,321,459
2014	74,695	68,817	1,468,877	38,622,301
2015	75,687	70,006	1,484,379	38,952,462
2016	76,754	71,587	1,498,127	39,214,803
2017	77,736	72,294	1,515,015	39,504,609
2018	78,533	73,112	1,530,242	39,740,508
2019	79,835	74,471	1,546,174	39,927,315

(1) Except as otherwise noted, as of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18. California Department of Finance for January 1.

Personal Income

The following table summarizes per capita personal income for the County, the State of California and the United States from 2008 to 2017.

PER CAPITA PERSONAL INCOME[1]
Sacramento County, State of California, and United States
2008 through 2017

Year	Sacramento County	State of California	United States of America
2008	$39,499	$43,895	$40,904
2009	38,327	42,050	39,284
2010	38,776	43,609	40,545
2011	40,394	46,145	42,727
2012	41,659	48,751	44,582
2013	42,887	49,173	44,826
2014	45,148	52,237	47,025
2015	47,811	55,679	48,940
2016	48,850	57,497	49,831
2017	50,197	59,796	51,640

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the Cities, the County and the State of California.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
City of Folsom, City of Rancho Cordova, Sacramento County and the State of California
2014 through 2018

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2014	City of Folsom	34,900	33,300	1,700	4.8%
	City of Rancho Cordova	33,000	30,400	2,700	8.1
	Sacramento County	679,100	629,500	49,600	7.3
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	City of Folsom	35,400	34,100	1,400	3.9%
	City of Rancho Cordova	33,500	31,200	2,200	6.6
	Sacramento County	685,100	644,100	41,100	6.0
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	City of Folsom	36,300	34,900	1,500	4.0%
	City of Rancho Cordova	34,100	32,200	1,900	5.6
	Sacramento County	694,500	657,000	37,500	5.4
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	City of Folsom	36,600	35,300	1,300	3.5%
	City of Rancho Cordova	34,400	32,800	1,600	4.8
	Sacramento County	698,100	665,600	32,500	4.7
	State of California	19,205,300	18,285,500	919,800	4.8
2018	City of Folsom	37,300	36,200	1,000	2.8%
	City of Rancho Cordova	35,000	33,700	1,300	3.8
	Sacramento County	710,400	683,500	27,000	3.8
	State of California	19,398,200	18,582,800	815,400	4.2

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: *U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018.*

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Industry

The County are included in the Sacramento-Rocklin-Arden Arcade Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2014 through 2018
Sacramento-Rocklin-Arden Arcade MSA

	2014	2015	2016	2017	2018
Total Farm	9,200	9,400	9,700	9,800	9,100
Mining, Logging and Construction	46,000	50,700	55,500	59,100	64,100
Manufacturing	35,400	36,400	36,200	35,700	36,100
Wholesale Trade	24,100	24,400	25,500	26,500	28,500
Retail Trade	95,300	98,000	100,500	101,400	102,300
Transportation, Warehousing and Util.	23,600	24,600	26,000	26,700	29,100
Information	13,900	14,100	13,800	12,500	12,300
Financial Activities	49,000	50,900	51,800	52,400	53,900
Professional and Business Services	118,300	120,300	128,100	130,600	135,700
Education and Health Services	134,300	140,100	145,600	152,800	159,500
Leisure and Hospitality	91,800	95,400	99,800	103,300	106,300
Other Services	30,300	30,900	31,700	33,000	34,200
Government	227,800	232,000	234,700	235,200	237,500
Total All Industries	898,800	927,100	958,700	978,800	1,008,700

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Largest Employers

The following tables list the ten largest employers in the Cities and County.

LARGEST EMPLOYERS
City of Folsom
2018

Employer Name	Employees
Intel Corporation	5,984
California State Prison	1,572
Folsom Prison	1,103
Folsom Cordova Unified School District[1]	1,062
Mercy Hospital of Folsom	748
California ISO	624
City of Folsom	424
Safe Credit Union	355
Micron Technology Inc.	350
Costco	300

[1] For updated information regarding the School District's employees, see "FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: City of Folsom Comprehensive Annual Financial Report' For Year Ended June 30, 2018.

LARGEST EMPLOYERS
City of Rancho Cordova
2018

Employer Name	Employees
State of California	3,000
Delta Dental	1,600
Sacramento County Office of Education	1,300
Franklin Templeton	1,000
VSP Global	1,000
Foundation Health Special Service	900
JP Aerospace	709
Mather Aerospace Modelers Inc.	709
Dignity Health	600
Health Net	600

Source: City of Rancho Cordova Comprehensive Annual Financial Report' For Year Ended June 30, 2018.

LARGEST EMPLOYERS
Sacramento County
2018

Employer Name	Employees
Kaiser Permanente	10,517
UC Davis Health System	10,467
Sutter/California Health Services	9,911
Dignity/Mercy Health Care	8,039
Intel Corporation	6,000
Apple Inc.	5,000
Raley's Inc./Bel Air	3,147
Health Net of California Inc.	3,000
VSP Global	2,927
Wells Fargo & Co.	1,804

Source: Sacramento County Comprehensive Annual Financial Report' For Year Ended June 30, 2018.

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Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2013 through 2017 are shown in the following tables.

TAXABLE TRANSACTIONS
City of Folsom
2013 through 2017
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	1,559	1,460,551	2,118	1,576,337
2014	1,631	1,493,603	2,198	1,619,732
2015	1,649	1,494,540	2,454	1,666,468
2016	1,588	1,550,541	2,404	1,782,959
2017	1,614	1,611,484	2,459	1,892,091

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Part-time retailers are now tabulated with store retailers. Industry-level data for 2015 are not comparable to prior years.
Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

TAXABLE TRANSACTIONS
City of Rancho Cordova
2013 through 2017
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	1,127	861,610	1,831	1,310,018
2014	1,130	873,802	1,846	1,360,439
2015	1,207	894,064	2,072	1,486,661
2016	1,197	945,115	2,076	1,503,314
2017	1,247	1,000,266	2,169	1,512,491

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Part-time retailers are now tabulated with store retailers. Industry-level data for 2015 are not comparable to prior years.
Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

TAXABLE TRANSACTIONS
Sacramento County
2013 through 2017
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	22,629	14,171,006	31,709	20,097,095
2014	23,147	14,649,693	32,143	21,061,901
2015	23,880	15,221,223	36,121	22,043,196
2016	24,383	16,016,856	36,915	23,184,499
2017	24,501	16,729,885	37,317	24,405,149

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Part-time retailers are now tabulated with store retailers. Industry-level data for 2015 are not comparable to prior years.
Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
City of Folsom
2013 through 2017
(Dollars in Thousands)

Valuation ($000):	2013	2014	2015	2016	2017
Residential	$86,600	$81,958	$77,193	$55,520	$103,139
Non-residential	27,589	21,894	60,935	71,603	33,763
Total	$114,189	$103,852	$138,128	$127,123	$136,902
Residential Units:					
Single family	349	279	241	163	147
Multiple family	8	0	0	4	355
Total	357	279	241	167	502

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Rancho Cordova
2013 through 2017
(Dollars in Thousands)

Valuation ($000):	2013	2014	2015	2016	2017
Residential	$108,686	$57,931	$115,181	$98,165	$92,216
Non-residential	41,884	29,336	30,110	40,797	34,397
Total	$150,570	$87,267	$145,291	$138,962	$126,523
Residential Units:					
Single family	330	166	402	319	217
Multiple family	106	56	0	0	199
Total	436	222	402	319	416

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
Sacramento County
2013 through 2017
(Dollars in Thousands)

Valuation ($000):	2013	2014	2015	2016	2017
Residential	$603,992	$570,660	$897,359	$950,178	$1,200,257
Non-residential	434,345	524,234	651,429	987,139	679,407
Total	$1,038,337	$1,094,894	$1,548,788	$1,937,317	1,879,644
Residential Units:					
Single family	1,764	1,547	2,358	2,676	3,174
Multiple family	145	226	815	609	1,761
Total	1,909	1,773	3,173	3,285	4,935

Source: Construction Industry Research Board.

Transportation

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

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

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

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form.

Board of Education
Folsom Cordova Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $150,000,000 of Folsom Cordova Unified School District (Sacramento County, California) Election of 2007 General Obligation Bonds, Series D (School Facilities Improvement District No. 3) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, (ii) a two thirds vote of the qualified electors of the School Facilities Improvement District No. 3 (the "Improvement District") of the Folsom Cordova Unified School District (the "School District") voting at an election held on March 27, 2007 and (iii) a resolution adopted by the Board of Education of the School District (the "Bond Resolution").

2. The Bonds constitute valid and binding general obligations of the School District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the Improvement District, which taxes are unlimited as to rate or amount.

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

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

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

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

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

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

Respectfully submitted,

Stradling Yocca Carlson & Rauth

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Folsom Cordova Unified School District (the "School District") in connection with the issuance of the Folsom Cordova Unified School District (Sacramento County, California) Election of 2007 General Obligation Bonds, Series D (School Facilities Improvement District No. 3) (the "Bonds"). The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the School District on March 27, 2019 (the "Resolution").

The School District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the respective 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 Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

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

"Financial Obligation" shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Board consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Improvement District" means the Folsom Cordova Unified School District School Facilities Improvement District No. 3.

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

"Official Statement" shall mean the Official Statement, dated as of July 10, 2019, relating to the offer and sale of the Bonds.

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

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The School District shall, or shall cause the Dissemination Agent to, not later than nine months following the end of the School District's fiscal year (which shall be April 1 of each year, so long as the School District's fiscal year ends on June 30), commencing with the report for the 2018-19 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the School District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

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

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

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

1. The audited financial statements of the School District for the preceding fiscal year, 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 School District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the School District and the Improvement District of the type included in the Official Statement in the following categories (to the extent not included in the School District's audited financial statements):

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

(ii) the assessed value of taxable property in the Improvement District, as shown on the most recent equalized assessment roll,

(iii) only if the County no longer includes the tax levy for payment of such Bonds in its Teeter Plan, the property tax levies, collections and delinquencies for the Improvement District for the most recently completed fiscal year, and

(iv) the top ten property owners in the Improvement District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable value and their percentage of total secured assessed value.

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 School District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The School District shall clearly identify each such other document so included by reference.

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the School District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. the issuance by the Internal Revenue Service of adverse tax opinions, proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

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

7. unscheduled draws on credit enhancement reflecting financial difficulties.

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

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the School District. For the purposes of the event identified in this Section 5(a)(9), the

event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. 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 School District, or if such jurisdiction has been assumed by leaving the existing governmental 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 School District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

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

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. bond calls.

4. unless described under Section 5(a)(5) above, other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

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

6. the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School 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.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the School District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the School District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the School District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the School District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the

Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the School District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The School 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 School District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School 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, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School 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 School 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 School District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

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

Dated: July 31, 2019

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By: ____

Rhonda Crawford
Assistant Superintendent, Business Services

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of School District: Folsom Cordova Unified School District

Name of Bond Issues: Folsom Cordova Unified School District (Sacramento County, California) Election of 2007 General Obligation Bonds, Series D (School Facilities Improvement District No. 3)

Date of Issuance: July 31, 2019

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

Dated:_______________________

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable, but the School District takes no responsibility for the accuracy or completeness thereof. The School District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

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APPENDIX G

SACRAMENTO COUNTY INVESTMENT POOL

The following information concerning the Sacramento County Pooled Investment Fund (the "Treasury Pool") has been provided by the Sacramento County Department of Finance (the "Department of Finance"), and has not been confirmed or verified by the School District or the Underwriter. The School District, its Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Department of Finance, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the School District, its Municipal Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained at http://www.finance.saccounty.net/Investments*; however, the information presented on such website is not incorporated herein by any reference.*

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Department of Finance

BEN LAMERA, DIRECTOR OF FINANCE

POOLED INVESTMENT FUND

Monthly Review — May 2019

PORTFOLIO COMPLIANCE

Based on the Director of Finance Review Group Month-End Report, the entire portfolio was in ***full compliance*** with the Sacramento County Annual Investment Policy for the Pooled Investment Fund for Calendar Year 2019 and California Government Code.[1]

PORTFOLIO STATISTICS

Portfolio's Month-End Balance	$4,355,909,323
Earned Income Yield for the Month	***2.473%***
Weighted Average Maturity (Days)	325
Estimated Duration (Years)	0.862
Amortized Book Value	$4,356,812,960
Month-End Market Value	$4,375,987,009
Percent of Market to Book Value[2]	100.44%

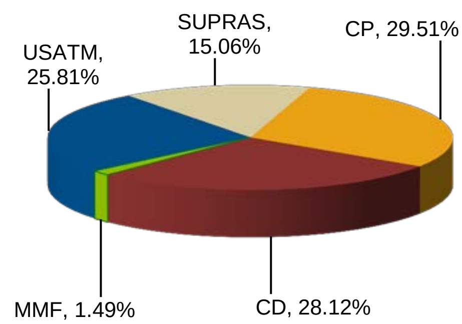
External third party Investment Manager(s) at month end:

State Treasurer's Office (LAIF)	$65,000,000

Investment Objectives

- ***Safety of Principal***
- ***Liquidity***
- ***Public Trust***
- ***Maximum Rate of Return***

Percentage Portfolio Structure by Asset Class[3]



PORTFOLIO STRUCTURE[3]

Investment Description	Portfolio at Cost	Yield at Month End
US Agency, Treasury & Municipal Notes (USATM):		
US Agency Notes	*25.32%*	**2.098%**
US Treasury Notes	*0.00%*	**0.00%**
Municipal Notes	*0.49%*	**2.492%**
Total USATM	25.81%	**2.106%**
Supranationals (SUPRAS)	15.06%	**2.471%**
Commercial Paper (CP)	29.51%	**2.596%**
Certificates of Deposit (CD)	28.12%	**2.609%**
LAIF/Money Market Funds (MMF)	1.49%	**2.445%**
Repurchase Agreements (REPO)	0.00%	**0.000%**

US Agency Notes Breakdown Percent of Portfolio at Cost[3]	
FFCB Notes/Discount Notes	8.70%
FHLB Notes/Discount Notes	11.59%
FNMA Notes/Discount Notes	3.89%
FHLMC Notes/Discount Notes	1.13%
Total US Agency Notes	25.32%

[1] This monthly review complies with all of the elements required by California Government Code §53646(b), with the exception of a detailed listing of each investment. A complete copy of the *Quarterly Pooled Investment Fund Report*, including a detailed listing of each investment, is available on the Department of Finance, Investment Division Web page at *http://www.finance.saccounty.net/Investments/RptQuarterly.asp*.

[2] Percent of market to book value is calculated using amortized book value. The GASB 31 fair value reported in the CAFR is calculated using the book value at purchase.

[3] Percentages may not add up to totals due to rounding

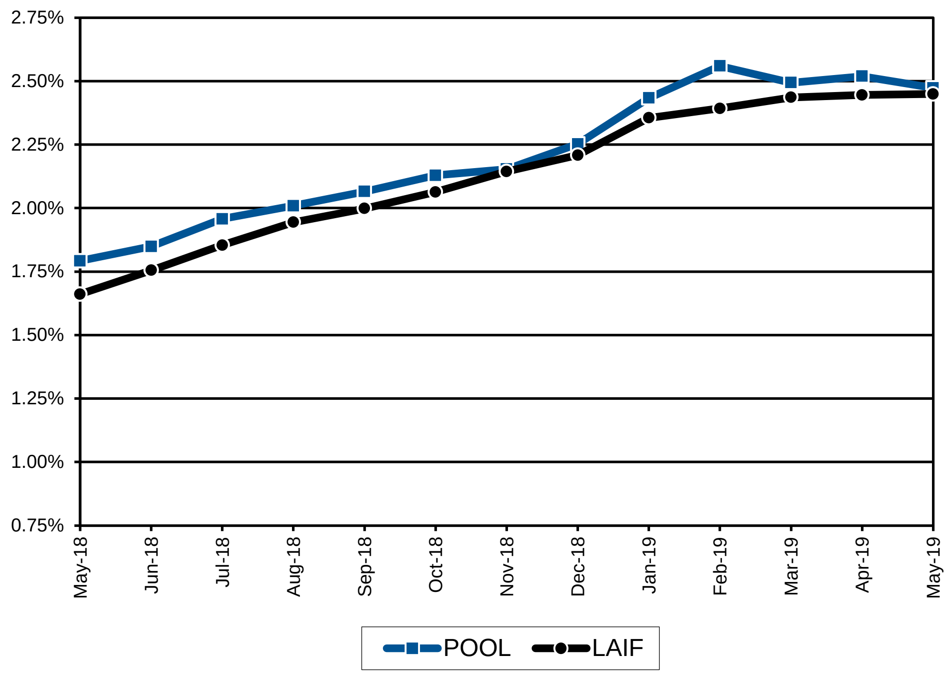
YIELD HISTORY

The earned income yield history represents gross yields; **costs have not been deducted**. The investment management costs in prior years and this year continue to be approximately 10 basis points or 0.10%. The quarterly apportionment of earnings to participating funds will be made on a **cash basis** (as opposed to an accrual basis) for the first three quarters of the fiscal year. Earnings to participating funds will be annualized over the fiscal year based on a fund's cumulative average daily cash balance at each quarter end and fiscal year end. At fiscal year end (fourth quarter), the earnings of the pool will be converted to an accrual basis for the fourth quarter earnings' allocation.

YIELD TRENDS[4]

Earned Income Yield History		
MONTH	**POOL**	**LAIF**
May-18	1.85%	1.76%
Jun-18	1.96%	1.85%
Jul-18	2.01%	1.94%
Aug-18	2.07%	2.00%
Sep-18	2.13%	2.06%
Oct-18	2.15%	2.14%
Nov-18	2.25%	2.21%
Dec-18	2.36%	2.29%
Jan-19	2.43%	2.36%
Feb-19	2.56%	2.39%
Mar-19	2.49%	2.44%
Apr-19	2.52%	2.45%
May-19	2.47%	2.45%

Earned Income Yield Over Last 12 Months



CASH FLOW PROJECTION

The Pooled Investment Fund cash requirements are based on a 14-month historical cash flow model. The model has been adjusted for expected non-reoccurring participant liquidity needs. This projection, updated on June 18, 2019, is sufficient to meet cash flow expenditures for the next six months.

Month	Beginning Bank Balance	Receipts & Maturities	Disbursements	Difference	Less Investments Beyond 1 year	Funds Available to Invest for Future Cash Flow Needs[5]
Dollar amounts represented in millions						
Jun	20.0	$1,171.9	$638.2	$533.7	$45.0	$488.7
Jul	20.0	$1,372.1	$1,262.9	$109.2	$45.0	$64.2
Aug	20.0	$1,129.3	$676.3	$453.0	$45.0	$408.0
Sep	20.0	$1,278.6	$857.9	$420.7	$45.0	$375.7
Oct	20.0	$1,242.0	$718.8	$523.2	$45.0	$478.2
Nov	20.0	$1,171.1	$459.8	$711.3	$45.0	$666.3

If you have any questions about the Pooled Investment Fund, please call Chief Investment Officer Bernard Santo Domingo at (916) 874-7320 or Investment Officer Dave Matuskey at (916) 874-4251.

[4] The earned income yield is the total net earnings divided by the average daily portfolio balance multiplied by 365 and then divided by the actual number of days in the month. The reported yield fluctuates based upon the number of days in the month, thus resulting in the anomaly of higher yields being reported for months with fewer days. February's yield is a prime example of such an anomaly.

[5] Any excess net cash flow amounts in this column will be used to fund the negative cash flow positions in later months.

SACRAMENTO COUNTY

Annual Investment Policy of the Pooled Investment Fund

CALENDAR YEAR 2019

Approved by the
Sacramento County Board of Supervisors

December 4, 2018
Resolution No. 2018-0839

Table of Contents

SACRAMENTO COUNTY

Annual Investment Policy of the Pooled Investment Fund

CALENDAR YEAR 2019

I. Authority

Under the Sacramento County Charter, the Board of Supervisors established the position of Director of Finance and by ordinance will annually review and renew the Director of Finance's authority to invest and reinvest all the funds in the County Treasury.

II. Policy Statement

This Investment Policy (Policy) establishes cash management and investment guidelines for the Director of Finance, who is responsible for the stewardship of the Sacramento County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code and this Policy. All portfolio activities will be judged by the standards of the Policy and its investment objectives. Activities that violate its spirit and intent will be considered contrary to the Policy.

III. Standard of Care

The Director of Finance is the Trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The Director of Finance, employees involved in the investment process, and members of the Sacramento County Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activities 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 Director of Finance shall act with care, skill, prudence, and diligence to meet the aims of the investment objectives listed in Section IV, Investment Objectives.

IV. 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 Principal

The preservation of principal 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 enable the Director of Finance to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

C. Public Trust

In managing the Pooled Investment Fund, the Director of Finance and the authorized investment traders should avoid any transactions that might impair public confidence in Sacramento County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

D. Maximum Rate of Return

As the fourth objective, the Pooled Investment Fund should be designed to attain a market average rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein. For comparative purposes, the State of California Local Agency Investment Fund (LAIF) will be used as a performance benchmark. The Pooled Investment Fund quarterly performance benchmark target has been set at or above LAIF’s yield. This benchmark was chosen because LAIF’s portfolio structure is similar to the Pooled Investment Fund.

V. Pooled Investment Fund Investors

The Pooled Investment Fund investors are comprised of Sacramento County, school and community college districts, districts directed by the Board of Supervisors, and independent special districts whose treasurer is the Director of Finance. Any local agencies not included in this category are subject to California Government Code section 53684 and are referred to as outside investors.

VI. Implementation

In order to provide direction to those responsible for management of the Pooled Investment Fund, the Director of Finance has established this Policy and will provide it to the Oversight Committee and render it to legislative bodies of local agencies that participate in the Pooled Investment Fund. In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy annually.

This Policy provides a detailed description of investment parameters used to implement the investment process and includes the following: investable funds; authorized instruments; prohibited investments; credit requirements; maximum maturities and concentrations; repurchase agreements; Community Reinvestment Act Program; criteria and qualifications of broker/dealers and direct issuers; investment guidelines, management style and strategy; Approved Lists; and calculation of yield and costs.

VII. Internal Controls

The Director of Finance shall establish internal controls to provide reasonable assurance that the investment objectives are met and to ensure that the assets are protected from loss, theft, or misuse. To assist in implementation and internal controls, the Director of Finance has established an Investment Group and a Review Group.

The Investment Group, which is comprised of the Director of Finance and his/her designees, is responsible for maintenance of the investment guidelines and Approved Lists. These guidelines and lists can be altered daily, if needed, to adjust to the ever-changing financial markets. The guidelines can be more conservative or match the policy language. In no case can the guidelines override the Policy.

The Review Group, which is comprised of the Director of Finance and his/her designees, is responsible for the monthly review and appraisal of all the investments purchased by the Director of Finance and staff. This review includes bond proceeds, which are invested separately from the Pooled Investment Fund and are not governed by this Policy.

The Director of Finance shall establish a process for daily, monthly, quarterly, and annual review and monitoring of the Pooled Investment Fund activity. The following articles, in order of supremacy, govern the Pooled Investment Fund:

1. California Government Code
2. Annual Investment Policy
3. Current Investment Guidelines
4. Approved Lists (see page 9, Section IX.K)

The Director of Finance shall review the daily investment activity and corresponding bank balances.

Monthly, the Review Group shall review all investment activity and its compliance to the corresponding governing articles and investment objectives.

Quarterly, the Director of Finance will provide the Oversight Committee with a copy of the Pooled Investment Fund activity and its compliance to the annual Policy and California Government Code.

Annually, the Oversight Committee shall cause an annual audit of the activities within the Pooled Investment Fund to be conducted to determine compliance to the Policy and California Government Code. This audit will include issues relating to the structure of the investment portfolio and risk.

All securities purchased, with the exception of time deposits, money market mutual funds, LAIF and Wells Fargo’s overnight investment fund, shall be delivered to the independent third-party custodian selected by the Director of Finance. This includes all collateral for repurchase agreements. All trades, where applicable, will be executed by delivery versus payment by the designated third-party custodian.

VIII. Sacramento County Treasury Oversight Committee

In accordance with California Government Code section 27130 et seq., the Board of Supervisors, in consultation with the Director of Finance, has created the Sacramento County Treasury Oversight Committee (Oversight Committee). Annually, the Director of Finance shall prepare an Investment Policy that will be forwarded to and monitored by the Oversight Committee and rendered to Boards of all local agency participants. The Board of Supervisors shall review and approve the Policy during public session. Quarterly, the Director of Finance shall provide the Oversight Committee a report of all investment activities of the Pooled Investment Fund to ensure compliance to the Policy. Annually, the Oversight Committee shall cause an audit to be conducted on the Pooled Investment Fund. The meetings of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign of a candidate for the office of local treasurer, or contributed to the campaign of a candidate to be a member of a legislative body of any local agency that has deposited funds in the county treasury, in the previous three years or during the period that the employee is a member of the Oversight Committee. A member may not directly or indirectly raise money for a candidate for local treasurer or a member of the Sacramento County Board of Supervisors or governing board of any local agency that has deposited funds in the county treasury while a member of the Oversight Committee. Finally, a member may not secure employment with, or be employed by bond underwriters, bond counsel, security brokerages or dealers, or financial services firms, with whom the treasurer is doing business during the period that the person is a member of the Oversight Committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the Department of Finance treasury and investment operations.

IX. Investment Parameters

A. Investable Funds

Total Investable Funds (TIF) for purposes of this Policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Included in TIF are funds of outside investors, if applicable, for which the Director of Finance provides investment services. Excluded from TIF are all funds held in separate portfolios.

The Cash Flow Horizon is the period in which the Pooled Investment Fund cash flow can be reasonably forecasted. This Policy establishes the Cash Flow Horizon to be one (1) year.

Once the Director of Finance has deemed that the cash flow forecast can be met, the Director of Finance may invest funds with maturities beyond one year. These securities will be referred to as the Core Portfolio.

B. Authorized Investments

Authorized investments shall match the general categories established by the California Government Code sections 53601 et seq. and 53635 et seq. Authorized investments shall include, in accordance with California Government Code section 16429.1, investments into LAIF. Authorization for specific instruments within these general categories, as well as narrower portfolio concentration and maturity limits, will be established and maintained by the Investment Group as part of the Investment Guidelines. As the California Government Code is amended, this Policy shall likewise become amended.

C. 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.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are any component companies in the Dow Jones U.S. Tobacco Index or the NYSE Arca Tobacco Index. Annually the Director of Finance and/or his designee will update the list of tobacco-related companies.

D. Credit Requirements

Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor’s, P-1 by Moody's, and, if available, F1 by Fitch, and the issuer’s long-term credit ratings shall be at or above A by Standard & Poor’s, A2 by Moody's, and, if available, A by Fitch. There are no credit requirements for Registered State Warrants. All other municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor’s, MIG1 by Moody’s, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Viability rating of a or better, without regard to modifiers. The Investment Group is granted the authority to specify approved California banks with Fitch Viability ratings of bbb+ but they must have a Support rating of 1 where appropriate. Foreign banks with domestic licensed offices must have a Sovereign rating of AAA from Standard and Poor’s, Moody’s, or Fitch and a Fitch Viability rating of a or better, without regard to modifiers; however, a foreign bank may have a rating of bbb+ but they must have a Support rating of 1. Domestic savings banks must be rated a or better, without regard to modifiers, or may have a rating of bbb+ but they must a Support rating of 1.

Community Reinvestment Act Program Credit Requirements

Maximum Amount	Minimum Requirements		
Up to the FDIC- or NCUSIF-insured limit for the term of the deposit	**Banks** — FDIC Insurance Coverage **Credit Unions** — NCUSIF Insurance Coverage *Credit unions are limited to a maximum deposit of the NCUSIF-insured limit since they are not rated by nationally recognized rating agencies and are not required to provide collateral on public deposits.*		
Over the FDIC- or NCUSIF-insured limit to $10 million	*(Any 2 of 3 ratings)* S&P: A-2 Moody's: P-2 Fitch: F-2 Collateral is required	***OR***	Through a private sector entity that assists in the placement of deposits to achieve FDIC insurance coverage of the full deposit and accrued interest.

Eligible banks must have Community Reinvestment Act performance ratings of "satisfactory" or "outstanding" from each financial institution's regulatory authority. In addition, deposits greater than the federally-insured amount must be collateralized. Banks must place securities worth between 110% and 150% of the value of the deposit with the Federal Reserve Bank of San Francisco, the Home Loan Bank of San Francisco, or a trust bank.

Since credit unions do not have Community Reinvestment Act performance ratings, they must demonstrate their commitment to meeting the community reinvestment lending and charitable activities, which are also required of banks.

All commercial paper and medium-term note issues must be issued by corporations operating within the United States and having total assets in excess of one billion dollars ($1,000,000,000).

The Investment Group may raise these credit standards as part of the Investment Guidelines and Approved Lists. Appendix A provides a Comparison and Interpretation of Credit Ratings by Standard & Poor's, Moody's, and Fitch.

E. Maximum Maturities

Due to the nature of the invested funds, no investment with limited market liquidity should be used. Appropriate amounts of highly-liquid investments, such as Treasury and Agency securities, should be maintained to accommodate unforeseen withdrawals.

The maximum maturity, determined as the term from the date of ownership to the date of maturity, for each investment shall be established as follows:

U.S. Treasury and Agency Obligations	5 years
Washington Supranational Obligations[1]	5 years
Municipal Notes	5 years
Registered State Warrants	5 years
Bankers Acceptances	180 days
Commercial Paper	270 days
Negotiable Certificates of Deposit	180 days
CRA Bank Deposit/Certificates of Deposit	1 year
Repurchase Agreements	1 year
Reverse Repurchase Agreements	92 days
Medium-Term Corporate Notes	180 days
Collateralized Mortgage Obligations	180 days

The Investment Group may reduce these maturity limits to a shorter term as part of the Investment Guidelines and the Approved Lists.

The ultimate maximum maturity of any investment shall be five (5) years. The dollar-weighted average maturity of all securities shall be equal to or less than three (3) years.

F. Maximum Concentrations

No more than 80% of the portfolio may be invested in issues other than United States Treasuries and Government Agencies. The maximum allowable percentage for each type of security is set forth as follows:

U.S. Treasury and Agency Obligations	100%
Municipal Notes	80%
Registered State Warrants	80%
Bankers Acceptances	40%
Commercial Paper	40%
Washington Supranational Obligations	30%
Negotiable Certificates of Deposit and CRA Bank Deposit/Certificates of Deposit	30%
Repurchase Agreements	30%
Reverse Repurchase Agreements	20%
Medium-Term Corporate Notes	30%
Money Market Mutual Funds	20%
Collateralized Mortgage Obligations	20%
Local Agency Investment Fund (LAIF)	(per State limit)[2]

The Investment Group may reduce these concentrations as part of the Investment Guidelines and the Approved Lists.

[1] The International Bank for Reconstruction and Development, International Finance Corporation, and Inter-American Development Bank.
[2] LAIF current maximum allowed is $65 million.

No more than 10% of the portfolio, except Treasuries and Agencies, may be invested in securities of a single issuer including its related entities.

Where a percentage limitation is established above, for the purpose of determining investment compliance, that maximum percentage will be applied on the date of purchase.

G. Repurchase Agreements

Under California Government Code section 53601, paragraph (j) and section 53635, the Director of Finance may enter into Repurchase Agreements and Reverse Repurchase Agreements. The maximum maturity of a Repurchase Agreement shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement. The reverse repurchase agreement must be "matched to maturity" and meet all other requirements in the code.

All repurchase agreements must have an executed Sacramento County Master Repurchase Agreement on file with both the Director of Finance and the Broker/Dealer. 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 Lists of the County and which meet the qualifications of the Policy, with a market value of 102%. Since the market value of the underlying securities is subject to daily market fluctuations, investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. Use of mortgage-backed securities for collateral is not permitted. Strictly for purposes of investing the daily excess bank balance, the collateral provided by the Sacramento County's depository bank can be Treasuries or Agencies valued at 110%, or mortgage-backed securities valued at 150%.

H. Community Reinvestment Act Program

The Director of Finance has allocated within the Pooled Investment Fund, a maximum of $90 million for the Community Reinvestment Act Program to encourage community investment by financial institutions, which includes community banks and credit unions, and to acknowledge and reward local financial institutions which support the community's financial needs. The Director of Finance may increase this amount, as appropriate, while staying within the investment policy objectives and maximum maturity and concentration limits. The eligible banks and savings banks must have Community Reinvestment Act performance ratings of “satisfactory” or “outstanding” from each financial institution’s regulatory authority. The minimum credit requirements are located on page 5 of Section IX.D.

I. Criteria and Qualifications of Brokers/Dealers and Direct Issuers

All transactions initiated on behalf of the Pooled Investment Fund and Sacramento 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 or direct issuers that directly issue their own securities which have been placed on the Approved List of brokers/dealers and direct issuers. Further, these firms must have an investment grade rating from at least two national rating services, if available.

Brokers/Dealers and direct issuers which have exceeded the political contribution limits, as contained in Rule G-37 of the Municipal Securities Rulemaking Board, within the preceding four-year period to the Director of Finance, any member of the Board of Supervisors, or any candidate for the Board of Supervisors, are prohibited from the Approved List of brokers/dealers and direct issuers.

Each broker/dealer and direct issuer 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 brokers/dealers and direct issuers.

Each broker/dealer and direct issuer authorized to do business with Sacramento County shall, at least annually, supply the Director of Finance with audited financial statements.

J. Investment Guidelines, Management Style and Strategy

The Investment Group, named by the Director of Finance, shall issue and maintain Investment Guidelines specifying authorized investments, credit requirements, permitted transactions, and issue maturity and concentration limits which are consistent with this Policy.

The Investment Group shall also issue a statement describing the investment management style and current strategy for the entire investment program. The management style and strategy can be changed to accommodate shifts in the financial markets, but at all times they must be consistent with this Policy and its objectives.

K. Approved Lists

The Investment Group, named by the Director of Finance, shall issue and maintain various Approved Lists. These lists are:

1. Approved Domestic Banks for all legal investments.
2. Approved Foreign Banks for all legal investments.
3. Approved Commercial Paper and Medium Term Note Issuers.
4. Approved Money Market Mutual Funds.
5. Approved Firms for Purchase or Sale of Securities (Brokers/Dealers and Direct Issuers).
6. Approved Banks / Credit Unions for the Community Reinvestment Act Program.

L. Calculation of Yield and Costs

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Department of Finance will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

X. Reviewing, Monitoring and Reporting of the Portfolio

The Review Group will prepare and present to the Director of Finance at least monthly a comprehensive review and evaluation of the transactions, positions, performance of the Pooled Investment Fund and compliance to the California Government Code, Policy, and Investment Guidelines.

Quarterly, the Director of Finance will provide to the Oversight Committee and to any local agency participant that requests a copy, a detailed report on the Pooled Investment Fund. Pursuant to California Government Code section 53646, the report will list the type of investments, name of issuer, maturity date, par 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 Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Each quarter, the Director of Finance shall provide to the Board of Supervisors and interested parties a comprehensive report on the Pooled Investment Fund.

Annually, the Director of Finance shall provide to the Oversight Committee the Investment Policy. Additionally, the Director of Finance will render a copy of the Investment Policy to the legislative body of the local agencies that participate in the Pooled Investment Fund.

XI. Withdrawal Requests for Pooled Fund Investors

The Director of Finance will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Director of Finance at a one dollar net asset value. Any requests to withdraw funds for purposes other than immediate cash flow needs, such as for external investing, are subject to the consent of the Director of Finance. In accordance with California Government Code Sections 27133(h) and 27136, such requests for withdrawals must first be made in writing to the Director of Finance. When evaluating a request to withdraw funds, the Director of Finance will take into account the effect of a withdrawal on the stability and predictability of the Pooled Investment Fund and the interests of other depositors. Any withdrawal for such purposes will be at the market value of the Pooled Investment Fund on the date of the withdrawal.

XII. Limits on Honoraria, Gifts, and Gratuities

In accordance with California Government Code Section 27133(d), this Policy establishes limits for the Director of Finance; individuals responsible for management of the portfolios; and members of the Investment Group and Review Group who direct individual investment decisions, select individual investment advisors and broker/dealers, and conduct day-to-day investment trading activity. The limits also apply to members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms.

No individual may receive aggregate gifts, honoraria, and gratuities from any single source in a calendar year in excess of the amount specified in Section 18940.2(a) of Title 2, Division 6 of the California Code of Regulations. This limitation was $470 for the period January 1, 2017, to December 31, 2018, and is adjusted for inflation every odd-numbered year. Any violation must be reported to the State Fair Political Practices Commission.

XIII. Terms and Conditions for Outside Investors

Outside investors may invest in the Pooled Investment Fund through California Government Code Section 53684. Their deposits are subject to the consent of the Director of Finance. The legislative body of the local agency must approve the Sacramento County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. Any withdrawal of these deposits must be made in writing 30 days in advance and will be paid based upon the market value of the Pooled Investment Fund. If the Director of Finance considers it appropriate, the deposits may be returned at any time to the local agency.

Appendix A

Comparison and Interpretation of Credit Ratings

Long Term Debt & Individual Bank Ratings				
Rating Interpretation	**Moody's**	**S&P**	**Fitch**	**Fitch Viability Rating**
Best-quality grade	Aaa	AAA	AAA	aaa
High-quality grade	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	aa+ aa aa-
Upper Medium Grade	A1 A2 A3	A+ A A-	A+ A A-	a+ a a-
Medium Grade	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	bbb+ bbb bbb-
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	bb+ bb bb-
Low Grade	B1 B2 B3	B+ B B-	B+ B B-	b+ b b-
Poor Grade to Default	Caa	CCC+	CCC	ccc
In Poor Standing	- -	CCC CCC-	- -	
Highly Speculative Default	Ca C	CC -	CC -	cc c
Default	- - -	- - D	DDD DD D	f f f

Short Term / Municipal Note Investment Grade Ratings			
Rating Interpretation	**Moody's**	**S&P**	**Fitch**
Superior Capacity	MIG-1	SP-1+/SP-1	F1+/F1
Strong Capacity	MIG-2	SP-2	F2
Acceptable Capacity	MIG-3	SP-3	F3

Appendix A

Short Term / Commercial Paper Investment Grade Ratings			
Rating Interpretation	**Moody’s**	**S&P**	**Fitch**
Superior Capacity	P-1	A-1+/A-1	F1+/F1
Strong Capacity	P-2	A-2	F2
Acceptable Capacity	P-3	A-3	F3

Fitch Support Ratings	
Rating	*Interpretation*
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

Appendix A

Fitch Sovereign Risk Ratings	
Rating	*Interpretation*
AAA	**Highest credit quality.** 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	**Very high credit quality.** 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	**High credit quality.** 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	**Good credit quality.** 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for timely payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
BB	**Speculative.** 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	**Highly speculative.** 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	**High default risk.** Default is a real possibility.
CC	**Very high levels of credit risk.** Default of some kind appears probable.
C	**Exceptionally high levels of credit risk.** Default appears imminent or inevitable.
D	**Default.** Indicates a default. Default generally is defined as one of the following: • Failure to make payment of principal and/or interest under the contractual terms of the rated obligation; • The bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of the business of an issuer/obligor; or • The coercive exchange of an obligation, where creditors were offered securities with diminished structural or economic terms compared with the existing obligation.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100