

NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: Moody's: "A1"
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$18,600,000
COTATI-ROHNERT PARK
UNIFIED SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2016, Series D

\$4,385,000
COTATI-ROHNERT PARK
UNIFIED SCHOOL DISTRICT
(Sonoma County, California)
2020 General Obligation Refunding Bonds
(Forward Delivery)

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The captioned General Obligation Bonds Election of 2016, Series D (the "Series D Bonds") and 2020 General Obligation Refunding Bonds (Forward Delivery) (the "Refunding Bonds" and, together with the Series D Bonds, the "Bonds") are being issued by the Cotati-Rohnert Park Unified School District (the "District") pursuant to certain provisions of the California Government Code and resolutions of the Board of Trustees of the District adopted on October 15, 2019. The Series D Bonds were authorized at an election of the voters of the District held on November 8, 2016, which authorized the issuance of \$80,000,000 principal amount of general obligation bonds for the purpose of financing the construction, renovation, modernization and equipping of school facilities. The Series D Bonds are the fourth and final series of bonds to be issued under this authorization. The Refunding Bonds are being issued to refund a portion of the District's 2010 General Obligation Refunding Bonds, as described herein. See "THE BONDS – Authority for Issuance," "– Purpose of Issue" and "FINANCING PLAN."

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by Sonoma County (the "County"). The County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has outstanding general obligation bonds that are secured by *ad valorem* taxes on the same basis as the Bonds. See "SECURITY FOR THE BONDS."

Redemption. The Series D Bonds are subject to redemption prior to maturity under certain circumstances, as described herein. The Refunding Bonds are not subject to redemption prior to maturity. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Book-Entry Only. 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 ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and APPENDIX F.

Payments. The Bonds are being issued as current interest bonds. Interest on the Bonds accrues from the date of delivery and is payable semiannually on August 1 and February 1 of each year, commencing February 1, 2020 for the Series D Bonds and August 1, 2020 for the Refunding Bonds, to the person in whose name the Bond is registered. Payments of principal and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. See "THE BONDS."

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "APPENDIX I."



MATURITY SCHEDULE

(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. It is anticipated that the Series D Bonds will be available for delivery to Cede & Co., as nominee of DTC, on or about November 14, 2019. It is anticipated that the Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 7, 2020, in accordance with the Forward Delivery Purchase Contract. See "FORWARD DELIVERY OF THE REFUNDING BONDS" herein. The Underwriter reserves the right to obligate investors purchasing the Refunding Bonds to execute and deliver to the Underwriter a Delayed Delivery Contract, the form of which is included herein as Appendix H.

RAYMOND JAMES®

MATURITY SCHEDULES
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
(Sonoma County, California)

Base CUSIP[†]: 221623

General Obligation Bonds
Election of 2016, Series D

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2022	\$575,000	4.000%	1.150%	107.592%	ZP9
2023	55,000	4.000	1.160	110.292	ZQ7
2024	175,000	4.000	1.190	112.842	ZR5
2025	300,000	4.000	1.240	115.177	ZS3
2026	335,000	4.000	1.320	117.163	ZT1
2027	385,000	4.000	1.390	119.027	ZU8
2028	430,000	4.000	1.490	118.224 ^C	ZV6
2029	330,000	4.000	1.590	117.428 ^C	ZW4
2030	375,000	4.000	1.750	116.167 ^C	ZX2
2031	425,000	4.000	1.850	115.387 ^C	ZY0
2032	475,000	4.000	1.920	114.844 ^C	ZZ7
2033	535,000	4.000	2.010	114.151 ^C	A27
2034	595,000	4.000	2.100	113.463 ^C	A35
2035	660,000	4.000	2.190	112.779 ^C	A43
2036	730,000	4.000	2.250	112.326 ^C	A50
2037	805,000	4.000	2.310	111.875 ^C	A68
2038	880,000	4.000	2.370	111.426 ^C	A76
2039	960,000	4.000	2.420	111.054 ^C	A84
2040	1,050,000	4.000	2.470	110.683 ^C	A92

\$3,755,000 - 5.000% Term Bond maturing August 1, 2043; Yield: 2.300%; Price: 118.981^C; CUSIP[†]: B42

\$4,770,000 - 3.000% Term Bond maturing August 1, 2046; Yield: 3.010%; Price: 99.814; CUSIP[†]: B75

2020 General Obligation Refunding Bonds
(Forward Delivery)

Maturity Date (August1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2020	\$50,000	4.000%	1.550%	100.565%	ZH7
2021	85,000	4.000	1.550	102.979	ZJ3
2022	785,000	4.000	1.550	105.355	ZK0
2023	825,000	4.000	1.570	107.629	ZL8
2024	875,000	4.000	1.590	109.826	ZM6
2025	1,765,000	4.000	1.630	111.840	ZN4

C: Priced to par call on the first optional redemption date of August 1, 2027.

[†] CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. 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. This Official Statement is not a contract between any Bond owner and the District or the Underwriter.

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

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

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

Bond Insurance. Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer 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 the Bond Insurer, supplied by the Bond Insurer and presented under the heading "BOND INSURANCE" and on APPENDIX I.

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

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

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

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

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

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
(Sonoma County, California)

BOARD OF TRUSTEES OF THE DISTRICT

Leffler Brown, *President*
Chrissa Gillies, *Clerk*
Joe Cimino, *Trustee*
Tim Nonn, *Trustee*
Jennifer Wiltermood, *Trustee*

DISTRICT ADMINISTRATION

Michael Watenpaugh, *Interim Superintendent*
Robert Marical, *Chief Business Official*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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\$18,600,000
COTATI-ROHNERT PARK UNIFIED
SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2016, Series D

\$4,385,000
COTATI-ROHNERT PARK UNIFIED
SCHOOL DISTRICT
(Sonoma County, California)
2020 General Obligation Refunding Bonds
(Forward Delivery)

*The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the General Obligation Bonds, Election of 2016, Series D (the “**Series D Bonds**”) and 2020 General Obligation Refunding Bonds (Forward Delivery) (the “**Refunding Bonds**”) and, together with the Series D Bonds, the “**Bonds**”) by the Cotati-Rohnert Park Unified School District (the “**District**”).*

It is anticipated that the Series D Bonds will be executed and delivered on or about November 14, 2019. It is anticipated that the Refunding Bonds will be executed and delivered on or about May 7, 2020 (the “**Settlement Date**”) in accordance with the Forward Delivery Purchase Contract. See “FORWARD DELIVERY OF THE REFUNDING BONDS” herein.

INTRODUCTION

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

The District. The District covers approximately 15.4 square miles in the central portion of Sonoma County (the “County”). The District currently operates seven elementary schools, two middle schools, one comprehensive high school, one technology magnet high school, and one continuation high school. Enrollment for the 2019-20 school year is approximately 5,740 students. For more information regarding the District and its finances, see APPENDIX A attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City of Cotati, the City of Rohnert Park and the County.

Purpose. The Series D Bonds are being issued to provide funds to finance the construction, renovation, modernization and equipping of school facilities and to pay related costs of issuance. The Refunding Bonds are being issued to refund a portion of the District’s 2010 General Obligation Refunding Bonds (the “**Prior Bonds**”) and to pay related costs of issuance. See “THE FINANCING PLAN” herein.

Authority for Issuance.

Series D Bonds. The Series D Bonds were authorized at an election of the registered voters of the District held on November 8, 2016 (the “**2016 Authorization**”), which authorized a total of \$80,000,000 principal amount of general obligation bonds to finance new construction and additions to and modernization of school facilities for the District. The Series D Bonds will be issued pursuant to the 2016 Authorization, Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the “**Bond Law**”), and a resolution

of the Board of Trustees of the District adopted on October 15, 2019 (the “**Series D Bond Resolution**”).

Refunding Bonds. The Refunding Bonds will be issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the “**Refunding Law**”), and a resolution of the Board of Trustees of the District adopted on October 15, 2019 (the “**Refunding Bond Resolution**”).

Each of the Series D Bond Resolution and the Refunding Bond Resolution may be referred to herein as a “Resolution” or, together, as “Resolutions”.

See “THE BONDS – Authority for Issuance.”

Payment and Registration of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. See “THE BONDS.” The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS” and “APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Optional Redemption” and “– Mandatory Sinking Fund Redemption.”

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.”

Bond Insurance. Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“**BAM**”) 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 an appendix to this Official Statement. See “BOND INSURANCE” and APPENDIX I.

Tax-Exempt Status. In the opinion of Jones Hall, A Professional Law Corporation, bond counsel to the District (“**Bond Counsel**”), interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS” for additional information, and APPENDIX D hereto for the forms of Bond Counsel’s opinions to be delivered concurrently with the Bonds.

Continuing Disclosure. The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. See “CONTINUING DISCLOSURE.”

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District from the Superintendent's Office at Cotati-Rohnert Park Unified School District, 7615 Burton Avenue, Rohnert Park, California 94928, Phone: (707) 792-4722. The District may impose a charge for copying, mailing and handling.

[END OF INTRODUCTION]

THE FINANCING PLAN

Series D Bonds

The 2016 Authorization. At the November 8, 2016 bond election, the District received authorization by affirmative votes of the qualified electors exceeding the required 55% to issue general obligation bonds in a principal amount not to exceed \$80,000,000. The abbreviated form of the ballot measure is as follows:

“To bring all classrooms up to the same standard and protect quality education with funding that cannot be taken by the State, shall Cotati-Rohnert Park Unified School District improve classrooms, science labs and libraries to meet modern educational/safety standards; remove lead/asbestos where found; and add multiuse classrooms for performing arts/science/vocational education programs; by issuing \$80 million in bonds, at legal rates, with citizens’ oversight, annual audits, no money for administrators, and all funds staying local?”

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **“Project List”**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2016 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

The District has previously issued three series of general obligation bonds pursuant to the 2016 Authorization in the combined principal amount of \$61,400,000 leaving \$18,600,000 principal amount of authorized but unissued bonds. The Series D Bonds represent the fourth and final series of bonds to be issued pursuant to the 2016 Authorization, and will be used to finance school facility projects. In addition, a portion of the proceeds of the Series D Bonds will be used to pay related costs of issuance.

Refunding Bonds

The Prior Bonds maturing on and after August 1, 2021, are subject to optional redemption on August 1, 2020, or on any date thereafter, at a price of 100% of the principal amount redeemed.

The net proceeds of the Refunding Bonds will be used to refund the Prior Bonds maturing August 1, 2021 through August 1, 2025, inclusive, as identified in the table below (collectively, the **“Refunded Bonds”**). The Prior Bonds are subject to optional redemption on the redemption dates identified in the tables below at a redemption price equal to 100% of the principal amount, without premium, together with accrued interest thereon to the redemption date.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Identification of Refunded Bonds

Maturities Payable from Escrow	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2021	221623 TS0	\$125,000	8/1/2020	100%
2022	221623 TT8	825,000	8/1/2020	100%
2023	221623 TU5	870,000	8/1/2020	100%
2025T	221623 TV3	2,735,000	8/1/2020	100%

† CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.
T Term Bond.

Deposits in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under an Escrow Agreement (the “**Escrow Agreement**”), between the District and the Escrow Agent.

Sufficiency of the deposits and investments in the Escrow Fund for the foregoing purposes will be verified by Causey Demgen & Moore P.C., certified public accountants, Denver, Colorado (the “**Verification Agent**”). See “**VERIFICATION OF MATHEMATICAL ACCURACY**” herein.

SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	<u>Series D Bonds</u>	<u>Refunding Bonds</u>
Principal Amount of Bonds	\$18,600,000.00	\$4,385,000.00
Original Issue Premium	2,028,905.40	402,744.15
Total Sources	\$20,628,905.40	\$4,787,744.15
<u>Uses of Funds</u>		
Deposit to Building Fund	\$18,410,000.00	--
Deposit to Escrow Fund	--	\$4,649,906.25
Debt Service Fund	1,894,612.41	--
Costs of Issuance ⁽¹⁾	324,292.99	137,837.90
Total Uses	\$20,628,905.40	\$4,787,744.15

(1) All estimated costs of issuance including, but not limited to, Underwriter’s discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Paying Agent, the bond insurance premium, and the rating agencies.

THE BONDS

Authority for Issuance

The Series D Bonds will be issued under the Bond Law and the Series D Bond Resolution. The Refunding Bonds will be issued under the Refunding Law and the Refunding Bonds Resolution.

Description of the Bonds

Book-Entry Form. 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 (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Treasurer and Tax Collector of Sonoma County, through its agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See “APPENDIX F – Book-Entry Only System.”

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

Principal and Interest Payments. The Series D Bonds will be dated the Dated Date and will bear interest payable semiannually each August 1 and February 1 (each, an “**Interest Payment Date**”), commencing February 1, 2020, at the interest rates shown on the inside front cover page of this Official Statement. The Refunding Bonds will be dated the Settlement Date and will bear interest payable semiannually on each Interest Payment Date, commencing August 1, 2020, at the interest rates shown on the inside front cover page of this Official Statement. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before January 15, 2020 with respect to the Series D Bonds or July 15, 2020 with respect to the Refunding Bonds, shall bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the “**Record Date**”) and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If an Interest Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Interest Payment Date will be paid on the next business day. The Bonds will be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof.

See the maturity schedules on the inside cover page of this Official Statement and “DEBT SERVICE SCHEDULES.”

Redemption

The Refunding Bonds are not subject to optional redemption prior to maturity.

Optional Redemption. The Series D Bonds maturing on or before August 1, 2027 are not subject to redemption prior to their respective maturity dates. The Series D Bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective maturity dates, at the option of the District, on such basis as designated by the District and by lot within a maturity, in each case on any date on and after August 1, 2027, at a redemption price equal to the principal amount of the Series D Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series D Bonds maturing on August 1, 2043 and August 1, 2046 (together, the “**Term Bonds**”) are subject to mandatory sinking fund redemption in accordance with the schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payment amounts and on the dates set forth below, respectively, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments in integral multiples of \$5,000 in the manner determined by the District as set forth in written notice to be given by the District to the Paying Agent.

Term Bonds Maturing August 1, 2043

Redemption Date (August 1)	Sinking Fund Redemption
2041	\$1,140,000
2042	1,250,000
2043 (maturity)	1,365,000

Term Bonds Maturing August 1, 2046

Redemption Date (August 1)	Sinking Fund Redemption
2044	\$1,485,000
2045	1,590,000
2046 (maturity)	1,695,000

Selection of Series D Bonds for Redemption. Whenever less than all of the Outstanding Series D Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Series D Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series D Bond will be deemed to consist of individual Series D Bonds of \$5,000 denominations each, which may be separately redeemed.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Series D Bonds designated for redemption, at their addresses appearing on the Registration Books (as hereinafter defined); but

such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series D Bonds.

The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the Series D Bonds to be redeemed, and will require that any redeemed Series D Bonds be surrendered at the designate office of the Paying Agent for redemption, giving notice that further interest on such Series D Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Series D Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Series D Bond or Series D Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series D Bond or Series D Bonds.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series D Bonds so called for redemption have been duly provided, such Series D Bonds so called will cease to be entitled to any benefit under the Series D Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Series D Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series D Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Series D Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in APPENDIX F is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the “**Registration Books**”), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the applicable Resolution) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

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

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the applicable Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in

the applicable Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

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

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; and (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

FORWARD DELIVERY OF THE REFUNDING BONDS

Delayed Delivery. The District expects to deliver the Refunding Bonds, in book-entry form, to DTC on or about the Settlement Date for the account of the Underwriter pursuant to the Forward Delivery Purchase Contract.

Certain Terms Concerning the Delayed Delivery. The Underwriter reserves the right to obligate investors purchasing the Refunding Bonds to execute the delayed delivery contract in substantially the form of APPENDIX H attached hereto (the **“Delayed Delivery Contract”**). The Delayed Delivery Contract restricts the ability of the purchasers of the Refunding Bonds to transfer their interests in the Refunding Bonds prior to the Settlement Date and no representation is made that any such transfer will be permitted. The proposed form of Delayed Delivery Contract is attached as APPENDIX H at the request and for the convenience of the Underwriter. The District will not be a party to any Delayed Delivery Contracts and is not in any way responsible for the performance thereof or for any representations or warranties contained therein. The rights and obligations under the Forward Delivery Purchase Contract are not conditioned or dependent upon the performance of any Delayed Delivery Contract.

Certain Considerations. The delivery of the Refunding Bonds is subject to certain conditions, including, but not limited to, receipt by the District of an opinion of Bond Counsel in substantially the form set forth in APPENDIX D hereto, the delivery of other documents specified in the Forward Delivery Purchase Contract and payment of the purchase price by the Underwriter in accordance with the Forward Delivery Purchase Contract. Changes or proposed changes in federal or State laws, court decisions, regulations or proposed regulations or rulings of administrative agencies occurring or in effect prior to the delivery of the Refunding Bonds or failure of the District to provide closing certificates customarily required in connection with the issuance of tax-exempt bonds could prevent those conditions from being satisfied. None of the Refunding Bonds will be issued on the Settlement Date unless all of the Refunding Bonds are issued on the Settlement Date. See **“UNDERWRITING”** herein for a description of the Underwriter’s obligations under the Forward Delivery Purchase Contract.

During the period between the date hereof and the Settlement Date (the “**Delayed Delivery Period**”), certain information contained in the Official Statement may change in a material respect. The District has agreed to update this Official Statement, if it is necessary, so that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading as of the Settlement Date. Except for any such update, neither the District nor the Underwriter is obligated to update the Official Statement during the Delayed Delivery Period.

Ratings. Moody’s and S&P have issued their ratings for the Refunding Bonds. See “Ratings” herein. However, no assurance can be given that, at the Settlement Date, such ratings will continue to be in effect. If, however, neither Moody’s nor S&P rates the Refunding Bonds as investment grade as of the Settlement Date, the Underwriter is not obligated to purchase the Refunding Bonds from the District.

Market Value. The market value of the Refunding Bonds at the Settlement Date may be affected by a variety of factors, including, without limitation, general market conditions, the ratings then assigned to the Refunding Bonds, the financial condition and business operations of the District and federal, state and local income tax and other laws. The market value of the Refunding Bonds as of the Settlement Date could therefore be higher or lower than the price to be paid by the initial purchasers of the Refunding Bonds and that difference could be substantial. None of the District, the Underwriter or the Financial Advisor make any representation as to the expected market price of the Refunding Bonds as of the Settlement Date.

Secondary Market. The Underwriter is not obligated to make a secondary market in the Refunding Bonds and no assurance can be given that a secondary market will exist for the Refunding Bonds, including during the Delayed Delivery Period. Prospective purchasers of the Refunding Bonds should assume that there will be no secondary market during the Delayed Delivery Period.

Federal Tax Proposals. The Forward Delivery Purchase Contract obligates the District to deliver and the Underwriter to acquire the Refunding Bonds if the District delivers an opinion of Bond Counsel substantially in the form set forth in APPENDIX D hereto to the effect that the interest on the Refunding Bonds is not subject to inclusion in gross income for federal income tax purposes. It is possible that certain bills could be introduced (or that bills previously introduced could be amended) in the U.S. Congress that, if adopted, would reform the system of federal taxation. Those bills could (i) eliminate the tax exemption granted to interest payable on “state or local bonds” such as the Refunding Bonds, or (ii) diminish the value of the federal tax exemption granted interest on such bonds under the current system of federal income taxation. If legislation eliminates the tax exemption, then the Refunding Bonds would not be delivered at the Settlement Date. If legislation only diminishes the value of the tax exemption, and the District satisfies the requirements for the delivery of the Refunding Bonds, the purchasers would still be required to accept delivery of the Refunding Bonds at the Settlement Date. In such event, the purchasers would be required to accept delivery of the Refunding Bonds. Prospective purchasers are encouraged to consult their tax advisors regarding the likelihood that such bills would be introduced or amended or enacted and the consequences of such enactment to the purchasers.

DEBT SERVICE SCHEDULES

The Bonds. The following table shows the annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule Series D Bonds and Refunding Bonds

Period Ending August 1	Series D Bonds Principal	Series D Bonds Interest	Refunding Bonds Principal	Refunding Bonds Interest	Total Debt Service
2020	--	\$523,887.36	\$50,000.00	\$40,926.67	\$614,814.03
2021	--	733,850.00	85,000.00	173,400.00	992,250.00
2022	\$575,000.00	733,850.00	785,000.00	170,000.00	2,263,850.00
2023	55,000.00	710,850.00	825,000.00	138,600.00	1,729,450.00
2024	175,000.00	708,650.00	875,000.00	105,600.00	1,864,250.00
2025	300,000.00	701,650.00	1,765,000.00	70,600.00	2,837,250.00
2026	335,000.00	689,650.00	--	--	1,024,650.00
2027	385,000.00	676,250.00	--	--	1,061,250.00
2028	430,000.00	660,850.00	--	--	1,090,850.00
2029	330,000.00	643,650.00	--	--	973,650.00
2030	375,000.00	630,450.00	--	--	1,005,450.00
2031	425,000.00	615,450.00	--	--	1,040,450.00
2032	475,000.00	598,450.00	--	--	1,073,450.00
2033	535,000.00	579,450.00	--	--	1,114,450.00
2034	595,000.00	558,050.00	--	--	1,153,050.00
2035	660,000.00	534,250.00	--	--	1,194,250.00
2036	730,000.00	507,850.00	--	--	1,237,850.00
2037	805,000.00	478,650.00	--	--	1,283,650.00
2038	880,000.00	446,450.00	--	--	1,326,450.00
2039	960,000.00	411,250.00	--	--	1,371,250.00
2040	1,050,000.00	372,850.00	--	--	1,422,850.00
2041	1,140,000.00	330,850.00	--	--	1,470,850.00
2042	1,250,000.00	273,850.00	--	--	1,523,850.00
2043	1,365,000.00	211,350.00	--	--	1,576,350.00
2044	1,485,000.00	143,100.00	--	--	1,628,100.00
2045	1,590,000.00	98,550.00	--	--	1,688,550.00
2046	1,695,000.00	50,850.00	--	--	1,745,850.00
Total	\$18,600,000.00	\$13,624,837.36	\$4,385,000.00	\$699,126.67	\$37,308,964.03

Combined Debt Service Table. The following table shows the combined annual debt service schedule with respect to obligations secured by *ad valorem* taxes, assuming no optional redemptions. See APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION – Long Term Borrowing” for additional information.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Debt**

Date (Aug. 1)	2010 Refunding Bonds ⁽¹⁾	2014 Series A Bonds	2014 Series A Refunding Bonds	2014 Series B Refunding Bonds	2014 Series C Bonds	2014 Series E Bonds	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Refunding Bonds	Aggregate Debt Service
2020	\$127,500.00	\$739,450.00	\$1,128,800.00	\$5,589,000.00	\$1,135,887.50	\$1,213,031.26	\$1,181,975.00	\$779,672.00	\$2,282,450.00	\$523,887.36	\$90,926.67	\$14,792,579.79
2021		739,450.00	1,203,900.00	5,740,250.00	1,138,087.50	1,293,031.26	1,181,975.00	779,202.00	1,195,650.00	733,850.00	258,400.00	14,263,795.76
2022		739,450.00	1,466,700.00	2,232,000.00	1,135,087.50	1,404,831.26	1,181,975.00	300,969.50	1,195,650.00	1,308,850.00	955,000.00	11,920,513.26
2023		739,450.00	1,452,500.00	2,326,250.00	1,137,087.50	1,512,031.26	1,181,975.00	318,829.50	1,195,650.00	765,850.00	963,600.00	11,593,223.26
2024		739,450.00	1,144,250.00	2,436,000.00	1,133,887.50	1,624,631.26	1,181,975.00	325,485.50	1,195,650.00	883,650.00	980,600.00	11,645,579.26
2025		739,450.00	773,250.00	--	1,135,687.50	1,737,231.26	1,181,975.00	331,252.00	1,195,650.00	1,001,650.00	1,835,600.00	9,931,745.76
2026		739,450.00	803,250.00	--	1,137,287.50	1,854,631.26	1,181,975.00	336,115.00	1,295,650.00	1,024,650.00	--	8,373,008.76
2027		739,450.00	--	--	1,137,787.50	1,981,431.26	1,581,975.00	--	1,331,650.00	1,061,250.00	--	7,833,543.76
2028		739,450.00	--	--	1,308,037.50	1,957,031.26	1,646,975.00	--	1,376,050.00	1,090,850.00	--	8,118,393.76
2029		759,450.00	--	--	1,309,937.50	2,067,231.26	1,692,725.00	--	1,593,450.00	973,650.00	--	8,396,443.76
2030		808,750.00	--	--	1,351,537.50	2,126,631.26	1,749,975.00	--	1,651,850.00	1,005,450.00	--	8,694,193.76
2031		856,300.00	--	--	1,396,225.00	2,187,031.26	1,812,975.00	--	1,707,250.00	1,040,450.00	--	9,000,231.26
2032		910,300.00	--	--	1,443,712.50	2,243,231.26	1,876,225.00	--	1,769,650.00	1,073,450.00	--	9,316,568.76
2033		961,300.00	--	--	1,484,250.00	2,310,231.26	1,939,475.00	--	1,832,150.00	1,114,450.00	--	9,641,856.26
2034		1,014,300.00	--	--	1,527,375.00	2,382,431.26	2,002,475.00	--	1,899,900.00	1,153,050.00	--	9,979,531.26
2035		1,069,050.00	--	--	1,573,475.00	2,455,181.26	2,077,037.50	--	1,962,400.00	1,194,250.00	--	10,331,393.76
2036		1,129,050.00	--	--	1,616,600.00	2,534,331.26	2,146,437.50	--	2,034,650.00	1,237,850.00	--	10,698,918.76
2037		1,186,050.00	--	--	1,662,100.00	2,614,581.26	2,221,987.50	--	2,100,900.00	1,283,650.00	--	11,069,268.76
2038		1,250,050.00	--	--	1,703,600.00	2,700,781.26	2,301,600.00	--	2,176,150.00	1,326,450.00	--	11,458,631.26
2039		1,315,650.00	--	--	1,746,100.00	2,795,000.00	2,380,800.00	--	2,254,650.00	1,371,250.00	--	11,863,450.00
2040		1,382,650.00	--	--	1,789,350.00	2,889,400.00	2,464,400.00	--	2,330,900.00	1,422,850.00	--	12,279,550.00
2041		1,450,850.00	--	--	1,833,100.00	2,986,400.00	2,552,000.00	--	2,414,650.00	1,470,850.00	--	12,707,850.00
2042		1,521,100.00	--	--	1,877,100.00	3,095,600.00	2,643,200.00	--	2,495,150.00	1,523,850.00	--	13,156,000.00
2043		1,595,600.00	--	--	1,921,100.00	3,151,200.00	2,732,600.00	--	2,587,150.00	1,576,350.00	--	13,564,000.00
2044		1,668,850.00	--	--	1,964,850.00	--	2,830,000.00	--	2,674,650.00	1,628,100.00	--	10,766,450.00
2045		1,750,600.00	--	--	2,008,100.00	--	2,929,800.00	--	2,767,400.00	1,688,550.00	--	11,144,450.00
2046		1,829,200.00	--	--	2,050,600.00	--	3,031,600.00	--	2,865,200.00	1,745,850.00	--	11,522,450.00
2047		1,917,400.00	--	--	2,098,800.00	--	--	--	--	--	--	4,016,200.00
2048		2,004,600.00	--	--	2,142,400.00	--	--	--	--	--	--	4,147,000.00
2049		2,095,600.00	--	--	2,186,400.00	--	--	--	--	--	--	4,282,000.00
2050		--	--	--	2,225,600.00	--	--	--	--	--	--	2,225,600.00
Total	\$127,500.00	\$35,131,750.00	\$7,972,650.00	\$18,323,500.00	\$49,311,150.00	\$53,117,143.94	\$52,888,087.50	\$3,171,525.50	\$51,382,150.00	\$32,224,837.36	\$5,084,126.67	\$308,734,420.97

(1) Reflects the refunding of the Refunded Bonds.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Bonds Payable from Ad Valorem Property Taxes. The District has other outstanding general obligation bonds which are payable from *ad valorem* taxes on a parity basis. See "APPENDIX B – DISTRICT GENERAL AND FINANCIAL INFORMATION - Long-Term Debt." In addition to the general obligation bonds issued by the District, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt" below.

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

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

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

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

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster,

could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Building Fund

The County will establish a Building Fund (the “**Building Fund**”) for the Series D Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. A deposit will be made to the Building Fund consisting of net Series D Bond proceeds. Money in the Building Fund will be held by the County Treasurer and disbursed upon request of the District, for the payment of the costs of acquiring and constructing the projects permitted by the 2016 Authorization. At such time that no amounts remain on deposit in the Building Fund, the County Treasurer may close the Building Fund.

Debt Service Fund

The County will establish a Debt Service Fund for each of the Series D Bonds and the Refunding Bonds (each, a “**Debt Service Fund**” and, collectively, the “**Debt Service Funds**”), which will be established as separate funds to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Series D Bonds and the Refunding Bonds will be deposited in the applicable Debt Service Fund by the County promptly upon receipt. The Debt Service Fund for each of the Series D Bonds and the Refunding Bonds are pledged for the payment of the principal of and interest and premium (if any) on the Series D Bonds and the Refunding Bonds, respectively, when and as the same become due. The County will transfer amounts in the applicable Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Series D Bonds or the Refunding Bonds as the same becomes due and payable.

If, after payment in full of the Bonds and any other general obligation bond indebtedness of the District, any amounts remain on deposit in a Debt Service Fund, the County will transfer such amounts to the general fund of the District, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued

by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties of the State based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. Shown in the following table are recent assessed valuations in the District.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2006-07 through 2019-20**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2006-07	\$4,771,850,152	\$507,751	\$206,281,051	\$4,978,638,954	--
2007-08	5,180,392,968	507,751	141,223,947	5,322,124,666	6.9%
2008-09	5,135,956,726	849,976	136,023,320	5,272,830,022	(0.9)
2009-10	4,968,910,509	891,440	139,859,900	5,109,661,849	(3.1)
2010-11	4,688,664,231	894,000	135,022,419	4,824,580,650	(5.6)
2011-12	4,677,080,664	1,277,689	127,361,918	4,805,720,271	(0.4)
2012-13	4,497,705,400	1,277,689	122,311,015	4,621,294,104	(3.8)
2013-14	4,652,160,748	1,277,689	131,942,099	4,785,380,536	3.6
2014-15	5,004,122,943	1,704,692	138,594,849	5,144,422,484	7.5
2015-16	5,302,575,456	1,704,692	144,275,286	5,448,555,434	5.9
2016-17	5,672,923,598	1,704,692	138,948,567	5,813,576,857	6.7
2017-18	6,031,455,945	1,704,692	141,692,622	6,174,853,259	6.2
2018-19	6,558,850,195	196,640	159,522,186	6,718,569,021	8.8
2019-20	7,106,816,508	196,640	161,881,662	7,268,894,810	8.2

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, property reclassifications, and man-made or natural disasters such as earthquakes, fires, floods and droughts.

The District is located in a seismically active region. Other notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, including in the vicinity of the District, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas.

Although fires have occurred in areas near the District, recent major wildfires have not occurred within District boundaries. The District cannot predict or make any representations regarding the effects that any disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2019-20.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Assessed Valuations By Jurisdiction⁽¹⁾
Fiscal Year 2017-18

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Cotati	\$1,198,404,748	16.49%	\$1,198,404,748	100.00%
City of Rohnert Park	5,691,425,056	78.30	\$5,865,910,059	97.03%
Unincorporated Sonoma County	379,065,006	5.21	\$38,493,537,392	0.98%
Total District	\$7,268,894,810	100.00%		
Sonoma County	\$7,268,894,810	100.00%	\$94,762,797,812	7.67%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2019-20.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20**

	2019-20 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	\$ 70,012,505	0.99%	155	0.96%
Commercial	639,601,205	9.00	355	2.21
Vacant Commercial	56,979,167	0.80	77	0.48
Industrial	375,721,540	5.29	187	1.16
Vacant Industrial	18,078,263	0.25	22	0.14
Recreational	40,530,128	0.57	15	0.09
Government/Social/Institutional	11,485,015	0.16	57	0.35
Miscellaneous	<u>3,772,321</u>	<u>0.05</u>	<u>144</u>	<u>0.89</u>
Subtotal Non-Residential	\$1,216,180,144	17.11%	1,012	6.29%
Residential:				
Single Family Residence	\$4,142,341,836	58.29%	11,410	70.88%
Condominium/Townhouse	477,893,012	6.72	1,988	12.35
Rural Residential	258,824,259	3.64	487	3.03
Hotel/Motel	84,656,095	1.19	7	0.04
Mobile Home	896,183	0.01	3	0.02
Mobile Home Park	56,426,354	0.79	9	0.06
2-4 Residential Units	161,524,878	2.27	298	1.85
5+ Residential Units/Apartments	666,896,616	9.38	118	0.73
Miscellaneous Residential	311,212	0.00	1	0.01
Vacant Residential	<u>40,865,919</u>	<u>0.58</u>	<u>765</u>	<u>4.75</u>
Subtotal Residential	\$5,890,636,364	82.89%	15,086	93.71%
Total	\$7,106,816,508	100.00%	16,098	100.00%

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

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District, for fiscal year 2019-20.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single Family Homes**

Single Family Residential	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	11,410	\$4,142,341,836	\$363,045	\$337,523

2019-20 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	26	0.228%	0.228%	\$ 918,797	0.022%	0.022%
\$50,000 - \$99,999	494	4.330	4.557	36,234,709	0.875	0.897
\$100,000 - \$149,999	614	5.381	9.939	79,394,590	1.917	2.814
\$150,000 - \$199,999	1,148	10.061	20.000	200,206,499	4.833	7.647
\$200,000 - \$249,999	1,117	9.790	29.790	252,872,100	6.105	13.751
\$250,000 - \$299,999	1,337	11.718	41.507	368,136,935	8.887	22.638
\$300,000 - \$349,999	1,243	10.894	52.401	402,001,014	9.705	32.343
\$350,000 - \$399,999	1,071	9.387	61.788	400,282,193	9.663	42.006
\$400,000 - \$449,999	834	7.309	69.097	353,499,291	8.534	50.540
\$450,000 - \$499,999	865	7.581	76.678	411,414,569	9.932	60.472
\$500,000 - \$549,999	805	7.055	83.734	421,704,971	10.180	70.652
\$550,000 - \$599,999	618	5.416	89.150	353,655,485	8.538	79.190
\$600,000 - \$649,999	482	4.224	93.374	300,418,574	7.252	86.442
\$650,000 - \$699,999	326	2.857	96.231	219,096,438	5.289	91.732
\$700,000 - \$749,999	210	1.840	98.072	151,580,330	3.659	95.391
\$750,000 - \$799,999	99	0.868	98.940	76,539,199	1.848	97.239
\$800,000 - \$849,999	34	0.298	99.238	28,030,716	0.677	97.915
\$850,000 - \$899,999	33	0.289	99.527	28,709,727	0.693	98.608
\$900,000 - \$949,999	10	0.088	99.614	9,251,898	0.223	98.832
\$950,000 - \$999,999	10	0.088	99.702	9,775,622	0.236	99.068
\$1,000,000 and greater	<u>34</u>	<u>0.298</u>	<u>100.000</u>	<u>38,618,179</u>	<u>0.932</u>	<u>100.000</u>
	11,410	100.000%		\$4,142,341,836	100.000%	

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

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 7-003 (a typical tax rate area in the District) for fiscal years 2015-16 through 2019-20.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
Fiscal Years 2015-16 through 2019-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Cotati-Rohnert Park Unified School District	.1510	.1390	.1670	.1650	.1640
Sonoma County Joint Community College District	.0160	.0400	.0370	.0360	.0370
Sonoma County Water Agency Russian River Project	.0070	.0070	.0070	.0070	.0070
Total Tax Rate	\$1.1740	\$1.1860	\$1.2110	\$1.2080	\$1.2080

(1) The 2019-20 assessed valuation of TRA 7-003 is \$1,981,623,955, which is 27.26% of total assessed valuation in the District.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

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

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

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

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

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.

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Tax Levies and Delinquencies

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

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

The County does not provide secured tax charges and delinquency rates by individual school districts.

Largest Secured Property Taxpayers in District

The twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2019-20 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer’s financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Largest Secured Taxpayers
Fiscal Year 2019-20**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Antheia LP	Apartments	\$ 62,441,577	0.88%
2. Ernest M. Kotlier	Apartments	52,553,804	0.74
3. University District LLC	Residential Development	52,043,318	0.73
4. Somo Village Commercial LLC	Industrial	47,572,120	0.67
5. Columbia Redwood Creek LLC	Apartments	44,492,624	0.63
6. AMFP IV Creekview LLC	Apartments	42,371,290	0.60
7. Steven J. Scarpa Trust	Apartments	42,235,656	0.59
8. WSRH Rohnert Park LLC	Apartments	41,130,400	0.58
9. CLPF – Oak View at Sonoma Hills LP	Apartments	40,231,228	0.57
10. Penn Grove Mountain LLC	Residential Development	38,407,680	0.54
11. KB Home South Bay Inc.	Residential Development	35,943,363	0.51
12. Crossbrook Apartments LP	Apartments	35,342,376	0.50
13. Knickerbocker Properties Inc. XXXVIII	Apartments	30,516,208	0.43
14. 4855 Snyder Lane LLC	Assisted Living Facility	29,858,975	0.42
15. Richmond American Homes of Maryland Inc.	Residential Development	27,809,326	0.39
16. RLH Partnership II LP	Hotel	27,364,736	0.39
17. The Reserve LLC	Apartments	27,257,960	0.38
18. Breit Rex Property Owner LLC	Hotel	27,013,520	0.38
19. Costco Wholesale Corp.	Commercial	26,281,272	0.37
20. Don Golden Star LLC	Movie Theater	<u>25,818,992</u>	<u>0.36</u>
		\$756,686,425	10.65%

(1) 2019-20 local secured assessed valuation: \$7,106,816,508.
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated November 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
as of November 1, 2019**

2019-20 Assessed Valuation: \$7,268,894,810

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/19</u>
Sonoma County Joint Community College District	7.610%	\$ 15,078,454
Cotati-Rohnert Park Unified School District	100.000	160,220,000⁽¹⁾
City of Rohnert Park Community Facilities District No. 2015-01	100.000	14,505,000
California Statewide Communities Development Authority Community Facilities District No. 2015-01, I.A. 1	100.000	10,775,000
Sonoma County Canon Manor Assessment District	100.000	2,835,000
City 1915 Act Bonds	100.000	<u>4,050,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$207,463,454
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	7.671%	\$ 1,037,119
Sonoma County Pension Obligation Bonds	7.671	27,030,303
Sonoma County Office of Education Certificates of Participation	7.671	290,955
City of Rohnert Park General Fund Obligations	97.025	1,460,226
West County Transportation Agency	14.350	<u>1,497,423</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$31,316,026
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Cotati Redevelopment Agency	100.000%	\$ 8,075,000
Successor Agency to Rohnert Park Redevelopment Agency	97.696	<u>24,510,799</u>
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$32,585,799
COMBINED TOTAL DEBT		\$271,365,279⁽²⁾

Ratios to 2019-20 Assessed Valuation:
Direct Debt (\$160,220,000)..... **2.20%**
 Total Direct and Overlapping Tax and Assessment Debt . 2.85%
 Combined Total Debt 3.73%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$2,468,385,306):
 Combined Total Debt 1.32%

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

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX I for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“**BAM**” or the “**Bond Insurer**”) will issue its Municipal Bond Insurance Policy (the “**Policy**”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX I 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation, and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of the Bond Insurer. BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from the Bond Insurer

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner

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

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

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

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

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

Forms of Opinions. Copies of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, and Isom Advisors, a Division of Urban Futures, Inc., as financial advisor to the District, is contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2020 with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of the prior bonds of the District. During the last five years, the has not failed to comply, in all material respects, with its existing undertakings under the Rule.

The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to serve as its dissemination agent with respect to its undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Bonds. Neither the County nor any other entity

other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed, nor is it responsible for, the content of the Official Statement.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign its rating of "AA" to the Bonds, based on the understanding that the Bond Insurer will deliver its Bond Insurance Policy with respect to the Bonds upon delivery. See "BOND INSURANCE."

In addition, Moody's Investors Services ("**Moody's**") has assigned an underlying rating of "A1" to the Bonds. The District has provided certain additional information and materials to Moody's (some of which does not appear in this Official Statement to the extent it has been considered immaterial to making an investment decision in the Bonds). Such ratings reflect only the views of the rating agencies and explanations of the significance of a rating may be obtained from Moody's and S&P, respectively. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by Moody's or S&P, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Series D Bonds. The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Series D Bonds on the Closing Date, pursuant to the Series D Purchase Contract, at a price of \$20,545,205.40 (which is equal to the aggregate principal amount of the Series D Bonds, plus net original issue premium of \$2,028,905.40 and less Underwriter's discount of \$83,700.00).

The Series D Purchase Contract provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provide that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

Refunding Bonds. The Underwriter has agreed to purchase the Refunding Bonds on the Settlement Date, pursuant to the Forward Delivery Purchase Contract, at a price of \$4,757,049.15 (which is equal to the aggregate principal amount of the Refunding Bonds, plus original issue premium of \$402,744.15 and less Underwriter's discount of \$30,695.00).

The Forward Delivery Purchase Contract provides that the Underwriter will purchase all of the Refunding Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. See "FORWARD DELIVERY OF THE REFUNDING BONDS."

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

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal and interest when due of the Refunded Bonds.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

ADDITIONAL INFORMATION

The discussions herein about the Resolutions and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Dallas, Texas.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

EXECUTION

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

**COTATI-ROHNERT PARK UNIFIED SCHOOL
DISTRICT**

By: /s/ Michael Watenpaugh
Interim Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The District covers approximately 15.4 square miles in the central portion of Sonoma County (the "**County**"). The District currently operates seven elementary schools, two middle schools, one comprehensive high school, one technology magnet high school, and one continuation high school. Total student enrollment is projected to be 5,740 for fiscal year 2019-20.

See also APPENDIX C hereto for demographic and other statistical information regarding the City of Cotati, City of Rohnert Park and the County.

Charter Schools

Within the District's boundaries there is currently one charter high school that is not operated by the District. The approximate enrollment of this independent charter school for fiscal year 2019-20 is 400 students. As a fiscally independent charter school, it is not included in the District's historical financial statements. The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools, and the corresponding financial impact on the District.

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and the petition for a charter school's creation approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Leffler Brown	President	December 2022
Chrissa Gillies	Clerk	December 2022
Joe Cimino	Trustee	December 2022
Tim Nonn	Trustee	December 2020
Jennifer Wiltermood	Trustee	December 2020

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Michael Watenpaugh is currently the interim Superintendent of the District and Robert Marical is Chief Business Official.

Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District.

**ANNUAL ENROLLMENT
Fiscal Years 2004-05 through 2019-20
Cotati-Rohnert Park Unified School District**

<u>Fiscal Year</u>	<u>Student Enrollment (1)</u>	<u>% Change</u>
2004-05	7,260	--
2005-06	7,023	(3.3)%
2006-07	6,847	(2.5)
2007-08	6,655	(2.8)
2008-09	6,429	(3.4)
2009-10	6,206	(3.5)
2010-11	6,003	(3.3)
2011-12	5,907	(1.6)
2012-13	5,770	(2.3)
2013-14	5,788	0.3
2014-15	5,868	1.4
2015-16	5,897	0.5
2016-17	5,874	(0.4)
2017-18	5,861	(0.2)
2018-19	5,766	(1.6)
2019-20 ⁽²⁾	5,740	(0.5)

(1) Excludes charter school enrollment.
 (2) Budgeted.
 Source: California Department of Education for 2004-05 through 2018-19;
 Cotati-Rohnert Park Unified School District for 2019-20.

Employee Relations

The District has 317.1 certificated full-time equivalent (“**FTE**”) employees, 179.7 classified FTE employees, and 54.7 management/supervisor/confidential FTE employees.

There are three formal bargaining units operating in the District, described in the following table.

<u>Labor Organization</u>	<u>No. of Employees</u>	<u>Contract Expires</u>
Rohnert Park Cotati Educators Association	317.1	June 30, 2020
California School Employees Association	179.7	June 30, 2021
Service Employees International	54.7	June 30, 2020

Source: Cotati-Rohnert Park Unified School District.

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DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

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

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2018-19 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

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

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

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

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

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

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

District Accounting Practices

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

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2018 Audited Financial Statements were prepared by Chavan & Associates, LLP, Certified Public Accountants, San Jose, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business and Operations of the District. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

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

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18 (Audited)
Cotati-Rohnert Park Unified School District ⁽¹⁾

	2013-14	2014-15	2015-16	2016-17	2017-18
	Audited	Audited	Audited	Audited	Audited
Revenues					
LCFF sources ⁽²⁾	\$37,861,442	\$40,948,313	\$47,192,073	\$49,111,113	\$49,711,728
Federal revenue	2,342,160	2,304,326	2,624,502	2,676,418	2,470,354
Other state revenue	3,290,811	3,916,079	7,060,862	5,662,414	5,516,193
Other local revenue	4,681,260	6,145,041	5,722,316	6,212,650	7,255,412
Total revenue	48,175,673	53,313,759	62,599,753	63,662,595	64,953,687
Expenditures					
Instruction	34,291,807	35,612,880	38,143,783	39,944,651	40,916,125
Instruction-related services:					
Supervision of instruction	1,257,035	1,279,167	1,668,120	1,804,410	1,760,716
Instructional library and technology	204,353	212,777	319,607	334,543	388,339
School site administration	3,238,742	3,741,580	4,528,952	4,949,038	5,235,865
Pupil services:					
Home-to-school transportation	40,907	120,360	2,136,999	1,939,446	2,105,286
Food services	12,552	45,153	104,171	68,492	58,635
Other pupil services	2,567,597	3,374,579	3,868,579	4,116,486	4,338,213
General administration:					
Data processing services	30,317	426,941	597,600	744,747	725,308
Other general administration	2,089,387	2,312,192	3,085,375	3,171,732	2,903,845
Plant services	4,245,386	4,426,043	5,343,321	5,680,755	5,846,717
Facilities acquisition and construction	--	--	314,026	7,500	74,521
Ancillary services	305,021	506,361	405,578	507,055	436,336
Community services	28,525	37,665	29,361	30,431	33,210
Debt service- principal	81,749	84,659	87,673	323,350	243,119
Debt service- interest, issuance costs	16,504	8,916	2,421	16,202	3,570
Transfers to other agencies	1,239,540	1,322,472	13,190	910	5,314
Total expenditures	50,149,422	53,511,745	60,648,756	63,639,748	65,075,119
Excess (deficiency) of revenues over (under) expenditures	(1,973,749)	(197,986)	1,950,997	22,847	(121,432)
Other Financing Sources (Uses)					
Operating transfers in	584,000	572,750	521,000	521,000	521,000
Operating transfers out	(100)	(137,000)	(187,167)	(232,002)	(55,000)
Proceeds from capital leases	--	--	--	713,388	--
Capital lease purchases	--	--	--	(713,388)	--
Total other financing sources	583,900	435,750	333,833	288,998	466,000
Net change in fund balance	(1,389,849)	237,764	2,284,830	311,845	344,568
Beginning balance	3,763,142	2,373,293	2,611,057	4,895,887	5,207,732
Ending balance	\$2,373,293	\$2,611,057	\$4,895,887	\$5,207,732	\$5,552,300

(1) Totals may not foot due to rounding.

(2) LCFF commenced in Fiscal Year 2013-14.

Source: Audited financial statements of the District

District Budget and Interim Financial Reporting

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

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

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

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

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

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

District’s Budget and Interim Certification History. The following table summarizes the County Office of Education’s certifications of the District’s interim reports during the past five years:

Interim Report	Certification Assigned
1 st Interim 2014-15	Qualified
2 nd Interim 2014-15	Qualified
1 st Interim 2015-16	Positive
2 nd Interim 2015-16	Positive
1 st Interim 2016-17	Positive
2 nd Interim 2016-17	Positive
1 st Interim 2017-18	Positive
2 nd Interim 2017-18	Positive
1 st Interim 2018-19	Qualified
2 nd Interim 2018-19	Qualified

Copies of the District’s budget, interim reports and certifications may be obtained upon request from the District Office at 7615 Burton Avenue, Rohnert Park 94928, Phone: (707) 792-4705. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2018-19 (unaudited actuals) and 2019-20 (adopted budget).

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (Unaudited Actuals)
Fiscal Year 2019-20 (Adopted Budget)**

	Unaudited Actuals 2018-19	Adopted Budget 2019-20
Revenues		
Total LCFF Sources	\$52,432,838	\$53,923,552
Federal Revenues	2,473,904	2,234,438
Other state revenues	8,054,031	4,678,071
Other local revenues	7,092,852	6,142,633
Total Revenues	<u>70,053,625</u>	<u>66,978,694</u>
Expenditures		
Certificated Salaries	26,096,064	25,951,333
Classified Salaries	7,566,196	7,835,809
Employee Benefits	21,929,543	20,876,220
Books and Supplies	1,722,123	1,498,835
Contract Services & Operating Exp.	13,343,852	11,445,890
Capital Outlay	13,467	--
Other Outgo (excluding indirect costs)	245,602	--
Other Outgo – Transfers of Indirect Costs	--	--
Total Expenditures	<u>70,916,847</u>	<u>67,608,087</u>
Excess of Revenues Over/(Under) Expenditures	(863,222)	(629,393)
Other Financing Sources (Uses)		
Operating transfers in	600,000	600,000
Operating transfers out	(151,274)	(270,290)
Total Other Financing Sources (Uses)	<u>448,726</u>	<u>329,710</u>
Net change in fund balance	(414,496)	(299,683)
Fund Balance, July 1	<u>2,886,801</u>	<u>2,472,304</u>
Fund Balance, June 30	\$2,472,304	\$2,172,621

Source: Cotati-Rohnert Park Unified School District.

District Reserves. The District’s ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State’s minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District has a Board-adopted policy of maintaining a minimum reserve of 4% of expenditures.

In connection with legislation adopted in connection with the State’s fiscal year 2014-15 Budget (“**SB 858**”), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district’s proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became

operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State’s Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation (“**SB 751**”) amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district’s combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap.

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2013-14 through 2019-20 (budgeted).

**COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2013-14 through 2019-20 (Budgeted)**

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	5,517	\$6,862
2014-15	5,557	7,369
2015-16	5,601	8,426
2016-17	5,544	8,858
2017-18	5,507	9,027
2018-19 ⁽¹⁾	5,502	9,530
2019-20 ⁽²⁾	5,465	9,867

⁽¹⁾ Unaudited Actuals.
⁽²⁾ Budgeted.
Source: California Department of Education; Cotati-Rohnert Park Unified School District.

District’s Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District’s percentage of unduplicated students is approximately 49% for purposes of calculating supplemental and concentration grant funding under LCFF.

Revenue Sources

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

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

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

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

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts. The District is not a Community Supported District.

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

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

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of

research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see “-Education Funding Generally.”

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

At an election held on November 3, 2015, more than the requisite 2/3 of District voters approved the extension of an existing parcel tax in the amount of \$89.00 per single-family parcel, excluding parcels owned by residents aged 65 or older who apply for an exemption. The parcel tax, authorized to be levied for an additional eight years, will expire in 2025. Annual receipts from such parcel tax are expected to be approximately \$1.2 million during fiscal year 2019-20. Parcel tax revenues are reflected in the District’s audit under “Local Revenues.”

District Retirement Systems

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

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

**STRS Contributions
Cotati-Rohnert Park Unified School District
Fiscal Years 2013-14 through 2019-20 (Projected)**

Fiscal Year	Amount
2013-14	\$1,647,860
2014-15	2,033,100
2015-16	4,093,448
2016-17	5,146,834
2017-18	5,548,500
2018-19 ⁽¹⁾	7,965,196
2019-20 ⁽²⁾	6,438,198

(1) Unaudited Actuals.
 (2) Budgeted.
 Source: Cotati-Rohnert Park Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State’s adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (“**AB 1469**”), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District’s employer contribution rates for fiscal years 2015-16 through 2018-19 were 10.73%, 12.58%, 14.43% and 16.28%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate ⁽¹⁾
2019-20	17.10%
2020-21	18.40
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

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

**PERS Contributions
Cotati-Rohnert Park Unified School District
Fiscal Years 2013-14 through 2019-20 (Projected)**

Fiscal Year	Amount
2013-14	\$544,225
2014-15	884,072
2015-16	1,021,733
2016-17	1,154,451
2017-18	885,679
2018-19 ⁽¹⁾	1,651,537
2019-20 ⁽²⁾	1,530,026

(1) Unaudited Actuals.

(2) Budgeted.

Source: Cotati-Rohnert Park Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

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

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

Source: PERS.

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

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

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

Fiscal Year	Employer Contribution Rate⁽²⁾
2019-20	19.721%
2020-21	22.900
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

Source: PERS

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

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

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

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any

legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 9 to the District's audited financial statements attached to the Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Retirement Benefits ("OPEB")

Plan Description. The District's governing board administers a single-employer defined other postemployment benefit healthcare plan (the "**Plan**"). The Plan provides medical, vision and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Certificated(RPCEA). Employees may retire with District-paid benefits after attaining age 55 and completing at least 15 years of full-time service. For those eligible retirees, the District will contribute towards the cost of health insurance for ten years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of full-time service will receive a District contribution for five years or until age 65, if earlier. For purposes of this paragraph, employment of at least 60% full-time equivalence counts as full-time service. The District's contribution is equal to the retiree only premium for Kaiser Plan 4. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Classified(CSEA). Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Classified(SEIU). Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of continuous service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of continuous service will receive a District contribution for five years or until age 65, if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2009.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

At June 30, 2018, the plan had 60 retirees receiving benefits and 489 active plan members for a total of 549 plan members.

Actuarial Assumptions. The District’s total OPEB liability of \$7,750,094 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.75%, payroll increases 2.75%, discount rate 6.00%, and a healthcare cost trend 4.00%. The discount rate was based on a thirty-year rate of return under the assumption that contributions would be sufficient to fully fund the obligation. The certificated mortality rates were based on the 2009 STRS mortality and the classified mortality rates were based on the 2014 PERS Active Mortality for miscellaneous employees. The retirement rates for certificated employees were based on the 2009 STRS Retirement Rates and the retirement rates for classified employees hired before January 1, 2013 were based on the 2009 PERS rates for School Employees and the retirement rates for classified employees hired after December 31, 2012 were based on the 2014 PERS 2% @ 60 Rates for Miscellaneous Employees. The service requirement for certificated employees is 100% at 10 years of service and for classified employees is 100% at 15 years of service.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2018, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY
Cotati-Rohnert Park Unified School District**

	Total OPEB Liability
Balance at June 30, 2017	\$7,750,094
Service Cost	699,364
Interest	461,257
Benefit payments	<u>(805,075)</u>
Net changes	355,546
Balance at June 30, 2018	\$8,105,398
Covered Payroll at Measurement Date	\$29,831,398
Total OPEB liability as a % of covered payroll	27.17%
Service cost as a % of covered payroll	2.34%

Source: Cotati-Rohnert Park Unified School District.

The District plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero. The trust had a balance of \$407,985 as of June 1, 2019.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the year ended June 30, 2018, the District recognized OPEB expense of \$1,160,621.

Insurance – Joint Powers Agreement

The District participates in two joint ventures under joint powers agreements (“JPAs”) with the Redwood Empire Schools’ Insurance Group for property and liability and workers’ compensation coverage, and the West County Transportation Agency for pupil transportation. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or services for their members. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including the selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium or fee commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

Existing Debt Obligations

General Obligation Bonds. Prior to the issuance of the Bonds, the District has the following series of general obligation bonds outstanding.

**Cotati-Rohnert Park Unified School District
SUMMARY OF OUTSTANDING GENERAL OBLIGATION BOND INDEBTEDNESS**

Issue Date	Issue Name	Amount of Original Principal	Outstanding 10/01/2019
11/20/2010	2010 Refunding Bonds ⁽¹⁾	\$16,355,000.00	\$4,680,000.00
10/08/2014	General Obligation Bonds, Election of 2014, Series A	17,975,000.00	17,210,000.00
12/02/2014	2014 Refunding Bonds, Series A	7,940,000.00	6,740,000.00
05/05/2015	2014 Refunding Bonds, Series B	27,670,000.00	16,280,000.00
11/06/2015	General Obligation Bonds, Election of 2014, Series C	25,000,000.00	24,480,000.00
01/03/2018	General Obligation Bonds, Election of 2014, Series E	33,500,000.00	32,550,000.00
04/19/2017	General Obligation Bonds, Election of 2016, Series A	31,000,000.00	29,000,000.00
04/19/2017	General Obligation Bonds, Election of 2016, Series B	4,000,000.00	2,880,000.00
12/13/2018	General Obligation Bonds, Election of 2016, Series C	26,400,000.00	26,400,000.00
Total		\$189,840,000.00	\$160,220,000.00

(1) A portion of 2010 Refunding Bonds is expected to be refunded from proceeds of the Refunding Bonds.

See “DEBT SERVICE SCHEDULES” in the body of this Official Statement for the remaining debt service due on the District’s outstanding general obligation bonds.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State’s general fund, and (2) a locally funded portion, being a district’s share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

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

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

The Budget Process. The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from

prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

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

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

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

Recent State Budgets

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

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative

Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

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

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

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of \$214.8 billion, with \$147.8 billion in general fund spending. The 2019-20 State Budget provides for \$81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of \$2.7 billion, or 3.4%, from the 2018-19 State budget. Of that \$81.1 billion, \$62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to \$16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a \$900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 billion of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;

- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;
- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities expansion and \$195 million for childcare and preschool workforce development;
- one-time funding of \$750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Availability of State Budgets. The complete 2019-20 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such

information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded

Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment”. This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

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

Article XIII B of the California Constitution

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

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“**unitary property**”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIII C and XIII D of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C 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 XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

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

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

available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

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

Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of

the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

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

Proposition 30 and Proposition 55

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "**EPA**"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales or excise tax increases of Proposition 30.

California Senate Bill 222

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

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

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**COTATI-ROHNERT PARK
UNIFIED SCHOOL DISTRICT
COUNTY OF SONOMA
ROHNERT PARK, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2018



CHAVAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1475 SARATOGA AVE., SUITE 180
SAN JOSE, CA 95129

Cotati-Rohnert Park Unified School District
County of Sonoma

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Cotati-Rohnert Park Unified School District
County of Sonoma

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FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cotati-Rohnert Park Unified School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's 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 District'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 District'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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Deficit Net Position

As of June 30, 2018, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals as reported in Note 9 and 10. Our opinion is not modified with respect to this matter.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The District currently funds this obligation on a pay-as-you go basis. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, as required by *Title*



2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards, and the other information listed in the supplementary section of the table of contents, as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of 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. Except for the organization schedule, schedule of charter schools and schedule of financial trends and analysis, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, and the other information listed in the supplementary section of the table of contents, except for the organization schedule, schedule of charter schools and schedule of financial trends and analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and schedule of financial trends and analysis have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, on our consideration of the 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 the District's internal control over financial reporting and compliance.

C & A LLP

January 8, 2019
San Jose, California

Management's Discussion and Analysis

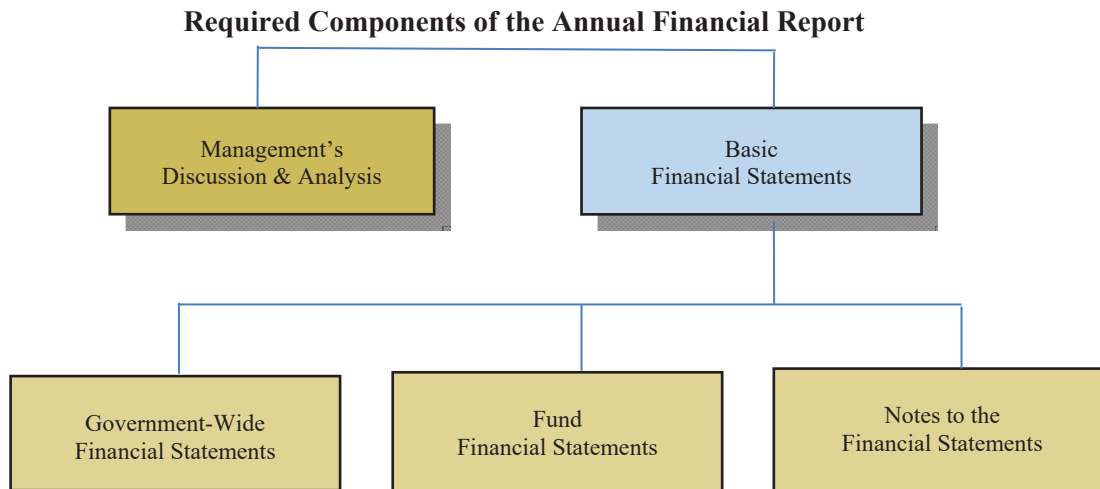
Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. This report will focus on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position, identify any individual fund issues or concerns, and provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2018 were as follows:

- Total net position decreased by \$4,758,577, or 24%, from June 30, 2017 to June 30, 2018.
- General revenues accounted for \$72,347,924 which is 85% of all revenues.
- The District had \$81,678,215 in expenses, which were directly supported by program specific revenues of \$10,396,081 in the form of operating grants and contributions and charges for services.
- Total fund balances of governmental funds decreased by \$1,823,840, or 4%, from June 30, 2017 to June 30, 2018.
- Among major funds, the General Fund had \$64,953,687 in revenues and \$65,075,119 in expenditures.

USING THE ANNUAL REPORT

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand the District as an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of

Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financial statements, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2017 - 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business type activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund and Bond Interest and Redemption Fund.

Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary funds

The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2018 as compared to June 30, 2017:

Table 1 - Summary of Statement of Net Position				
	2018	2017	Change	Percentage Change
Assets				
Current and Other Assets	\$ 56,625,740	\$ 59,385,463	\$ (2,759,723)	-4.6%
Capital Assets	130,099,353	95,630,660	34,468,693	36.0%
Total Assets	\$ 186,725,093	\$ 155,016,123	\$ 31,708,970	20.5%
Deferred Outflows of Resources				
	\$ 20,438,352	\$ 12,604,759	\$ 7,833,593	62.1%
Liabilities				
Current Liabilities	\$ 12,097,600	\$ 11,992,871	\$ 104,729	0.9%
Noncurrent Liabilities	218,067,068	173,507,695	44,559,373	25.7%
Total Liabilities	\$ 230,164,668	\$ 185,500,566	\$ 44,664,102	24.1%
Deferred Inflows of Resources				
	\$ 1,692,322	\$ 2,055,284	\$ (362,962)	-17.7%
Net Position				
Net Investment in Capital Assets	\$ 2,498,610	\$ 4,664,701	\$ (2,166,091)	-46.4%
Restricted	10,570,849	8,106,465	2,464,384	30.4%
Unrestricted	(37,763,004)	(32,706,134)	(5,056,870)	-15.5%
Total Net Position	\$ (24,693,545)	\$ (19,934,968)	\$ (4,758,577)	-23.9%

The increase in capital assets and noncurrent liabilities are mainly the result of construction projects of bond measure programs. The increase in noncurrent liabilities reflects the issuance of general obligation bonds for facilities improvement programs in the District. The decrease to net position was also the result of adjustments related to GASB 68 and GASB 75, which required the District to report its share of net pension liabilities totaling \$53,570,968 and an OPEB liability of \$8,105,640, respectively.

Cotati-Rohnert Park Unified School District

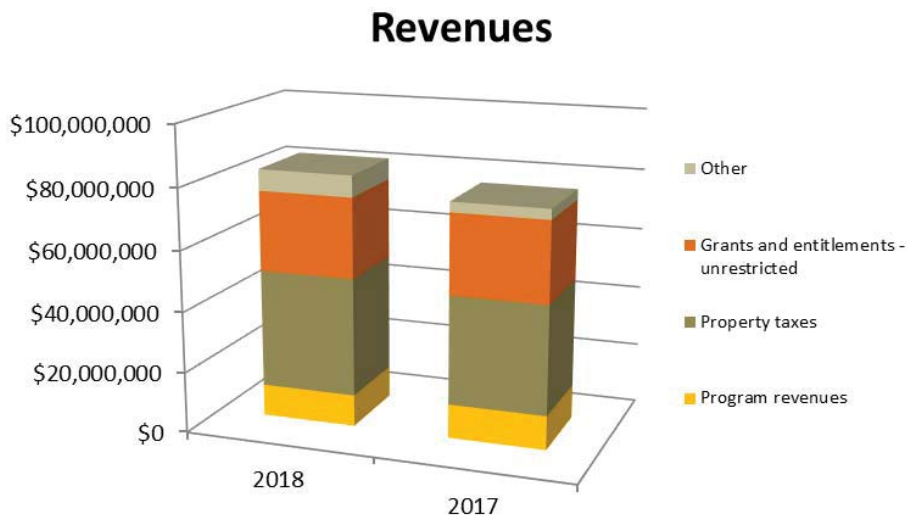
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Table 2 shows the changes in net position for fiscal year 2018 as compared to 2017.

Table 2 - Summary of Changes in Net Position				
	2018	2017	Change	Percentage Change
Revenues				
Program revenues	\$ 10,396,081	\$ 11,161,108	\$ (765,027)	-6.9%
General revenues:				
Property taxes	38,901,679	35,799,719	3,101,960	8.7%
Grants and entitlements - unrestricted	26,411,043	26,461,741	(50,698)	-0.2%
Other	7,035,202	3,395,548	3,639,654	107.2%
Total Revenues	82,744,005	76,818,116	5,925,889	7.7%
Program Expenses				
Instruction	43,966,346	46,237,462	(2,271,116)	-4.9%
Instruction-related services	7,906,532	7,827,579	78,953	1.0%
Pupil services	8,353,994	8,094,946	259,048	3.2%
General administration	3,940,882	4,344,211	(403,329)	-9.3%
Plant services	10,399,221	8,530,043	1,869,178	21.9%
Ancillary services	436,336	536,707	(100,371)	-18.7%
Community services	33,210	30,431	2,779	9.1%
Other outgo	5,314	910	4,404	484.0%
Interest on long-term debt	6,636,380	4,561,768	2,074,612	45.5%
Total Expenses	81,678,215	80,164,057	1,514,158	1.9%
Change in Net Position	1,065,790	(3,345,941)	4,411,731	131.9%
Prior Period Adjustment - GASB 75	(5,824,367)	-	(5,824,367)	-100.0%
Beginning Net Position	(19,934,968)	(16,589,027)	(3,345,941)	-20.2%
Ending Net Position	\$ (24,693,545)	\$ (19,934,968)	\$ (4,758,577)	-23.9%

As of June 30, 2018, the District increased pension expense by \$1,847,558 in the government-wide financials as required by GASB 68, which requires the District to record its proportionate share of the PERS and STRS pension liabilities. The implementation of GASB 75 in 2018 resulted in a prior period adjustment of \$5,824,367 in connection to the District's OPEB plan.

The following is a summary of government-wide revenues for the fiscal year ended June 30, 2018:

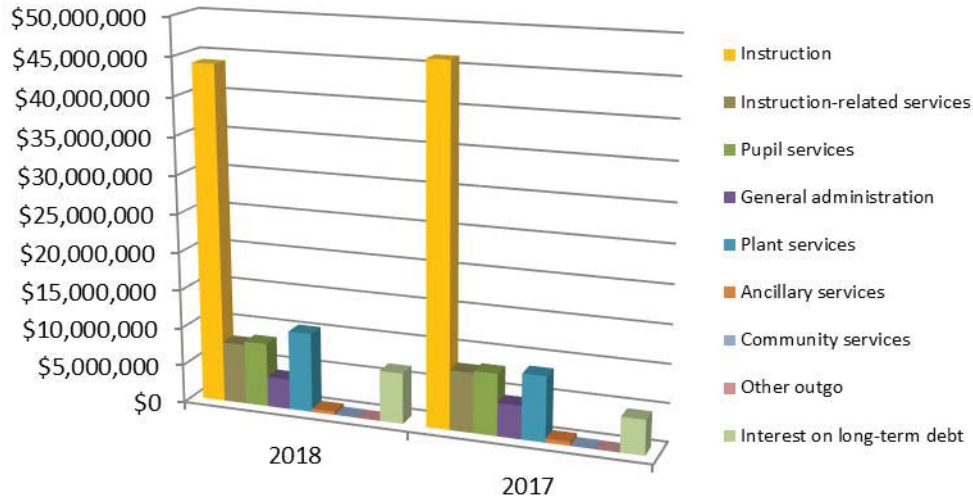


Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The following is a summary of expenses by function for the fiscal year ended June 30, 2018:

Expenses



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services				
	2018	2017	Change	Percentage Change
Instruction	\$ 37,491,067	\$ 39,631,409	\$ (2,140,342)	-5.40%
Instruction-related services	7,074,129	6,868,592	205,537	2.99%
Pupil services	5,983,730	5,359,208	624,522	11.65%
General administration	3,837,053	4,268,772	(431,719)	-10.11%
Plant services	10,066,403	8,195,166	1,871,237	22.83%
Ancillary services	387,523	457,490	(69,967)	-15.29%
Community services	33,210	29,764	3,446	11.58%
Other outgo	(227,361)	(369,220)	141,859	-38.42%
Interest on long-term debt	6,636,380	4,561,768	2,074,612	45.48%
Total Net Cost of Services	\$ 71,282,134	\$ 69,002,949	\$ 2,279,185	3.30%

Instruction expenditures include activities directly dealing with the teaching of pupils. *Instruction-related services* include the activities involved with assisting staff with the content and process of educating students. *Pupil services* include guidance and counseling, psychological, health, speech and testing services, as well as preparing, delivering, and serving meals to students. *General administration* reflects expenditures associated with the administrative and financial supervision of the school district. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services. *Plant services* involve keeping the school grounds, buildings, and equipment in effective working condition. *Ancillary*

Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

services represent the expenditures associated with co-curricular and athletic programs for students of the District. *Community services* include paid overtime or extra time for custodial services performed entirely as a result of community services activities. *Other outgo* includes tuition and transfers of resources between Cotati-Rohnert Park Unified School District and other educational agencies for services provided to students.

THE DISTRICT'S FUNDS

The District's governmental funds report a combined fund balance of \$47,184,140, which is a decrease of \$1,823,840 from last year's total mostly because of the spending down of bond proceeds for capital projects. Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Summary of Fund Balances				
	2018	2017	Change	Percentage Change
General	\$ 5,552,300	\$ 5,207,732	\$ 344,568	6.6%
Building Fund	25,297,528	33,388,191	(8,090,663)	-24.2%
Bond Interest and Redemption Fund	12,405,580	8,957,475	3,448,105	38.5%
Nonmajor Funds	3,928,732	1,454,582	2,474,150	170.1%
Total Fund Balances	\$ 47,184,140	\$ 49,007,980	\$ (1,823,840)	-3.7%

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting. During the course of the 2017-18 fiscal year, the District revised its General Fund budget on an ongoing basis and prepared updated budget reports at 1st and 2nd Interim with a final update at the end of the fiscal year. For the General Fund, the final budget basis revenue and other financing sources estimate was \$66,391,507 under the new Local Control Funding Formula (LCFF). The original budgeted estimate was \$62,011,569.

The final budget reflected an increase in budgeted expenditures of \$3,161,045 from the original budget.

CAPITAL ASSETS

Table 5 shows June 30, 2018 capital asset balances as compared to June 30, 2017.

Table 5 - Summary of Capital Assets Net of Depreciation				
	2018	2017	Change	Percentage Change
Land	\$ 9,482,482	\$ 9,482,482	-	0.0%
Work-in-Progress	52,488,480	16,458,801	36,029,679	218.9%
Site Improvements	2,568,093	2,442,969	125,124	5.1%
Buildings and Improvements	57,779,637	59,482,102	(1,702,465)	-2.9%
Equipment	7,780,661	7,764,306	16,355	0.2%
Total Capital Assets - Net	\$ 130,099,353	\$ 95,630,660	\$ 34,468,693	36.0%

The increase in Work-in-Progress is due to the District's on-going facilities improvement program.

Cotati-Rohnert Park Unified School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

LONG TERM LIABILITIES

Table 6 summarizes the percent changes in long-term liabilities over the past year.

Table 6 - Summary of Long-term Liabilities				
	2018	2017	Change	Percentage Change
General Obligation Bonds	\$ 155,964,147	\$ 126,187,045	\$ 29,777,102	23.6%
Capital Lease	237,713	1,943,845	(1,706,132)	-87.8%
Early Retirement Incentive	9,000	18,044	(9,044)	-50.1%
Net Pension Obligations	53,570,968	44,003,257	9,567,711	21.7%
Net OPEB Liabilities	8,105,640	1,120,652	6,984,988	623.3%
Compensated Absences	179,600	234,852	(55,252)	-23.5%
Total Long-term Liabilities	\$ 218,067,068	\$ 173,507,695	\$ 44,559,373	25.7%
Deferred Loss on Early Retirement of Debt	(3,303,589)	(3,776,740)	473,151	12.5%
Long-term Liabilities - Net	\$ 214,763,479	\$ 169,730,955	\$ 45,032,524	26.5%

FACTORS BEARING ON THE DISTRICT'S FUTURE

District enrollment has declined the last two years after three consecutive years of growth. The District will expand current efforts in implementing various initiatives intended to increase student enrollment. Employment opportunities have increased within the District's boundaries and new home construction is increasing, which is expected to yield more students.

Cotati-Rohnert Park Unified School District receives the majority of their funding from the State of California under the Local Control Funding Formula (LCFF). Starting in the fiscal year 2018-19, the State will fully fund LCFF, however California schools will continue to be far below the national average. With full funding of LCFF any increases in funding will be mainly driven by the state's Cost of Living Adjustment (COLA). Like most California school districts, the majority of new funding will be absorbed by increases in state pension costs.

District voters passed a second \$80 million general obligation bond on November 8, 2016. Added to the \$80 million bond passed on June 3, 2014, these funds will provide significant improvements to District schools, including construction of new classroom buildings and modernization of existing facilities. Various projects have been completed throughout the district including modernization of John Reed Elementary and Thomas Page Academy, elementary playground upgrades, districtwide technology and safety upgrades. Work is continuing on a new theatre, academic, gymnasium building at Rancho-Cotate High School that is scheduled to open in March 2019.

District voters passed an eight-year extension of the existing \$89 parcel tax on November 3, 2016. This measure will generate \$1.2 million of locally controlled funds annually through 2025.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Cotati-Rohnert Park Unified School District, 7165 Burton Ave., Rohnert Park, CA 94928.

Basic Financial Statements

Cotati-Rohnert Park Unified School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Current assets:	
Cash and investments	\$ 54,219,966
Accounts receivable	2,193,221
Other assets and prepaid expenses	191,569
Stores inventories	20,984
Total current assets	<u>56,625,740</u>
Noncurrent assets:	
Non-depreciable capital assets	61,970,962
Capital assets, net of depreciation	68,128,391
Total noncurrent assets	<u>130,099,353</u>
Total Assets	<u><u>\$ 186,725,093</u></u>
 Deferred Outflows of Resources	
Pension adjustments	\$ 16,185,210
OPEB adjustments	949,553
Deferred loss on early retirement of long-term debt	3,303,589
Total Deferred Outflows of Resources	<u><u>\$ 20,438,352</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 9,391,258
Unearned revenue	50,342
Accrued interest	2,656,000
Total current liabilities	<u>12,097,600</u>
Long-term liabilities:	
Due within one year	7,419,726
Due after one year	210,647,342
Total long-term liabilities	<u>218,067,068</u>
Total Liabilities	<u><u>\$ 230,164,668</u></u>
 Deferred Inflows of Resources	
Pension adjustments	<u><u>\$ 1,692,322</u></u>
 Net Position	
Net Investment in Capital Assets	\$ 2,498,610
Restricted for:	
Educational programs	545,277
Debt service	9,749,580
Cafeteria programs	84,423
Other purposes (nonexpendable)	191,569
Total restricted	<u>10,570,849</u>
Unrestricted	<u>(37,763,004)</u>
Total Net Position	<u><u>\$ (24,693,545)</u></u>

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District

Statement of Activities

For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 43,966,346	\$ -	\$ 6,475,279	\$ (37,491,067)
Instruction-related services:				
Supervision of instruction	1,843,453	-	630,623	(1,212,830)
Instructional library, media and technology	407,770	-	8,669	(399,101)
School site administration	5,655,309	-	193,111	(5,462,198)
Pupil services:				
Home-to-school transportation	2,105,286	-	18,591	(2,086,695)
Food services	1,665,014	406,538	1,008,174	(250,302)
All other pupil services	4,583,694	-	936,961	(3,646,733)
General administration:				
Data processing	781,429	-	-	(781,429)
All other general administration	3,159,453	-	103,829	(3,055,624)
Plant services	10,399,221	480	332,338	(10,066,403)
Ancillary services	436,336	-	48,813	(387,523)
Community services	33,210	-	-	(33,210)
Transfers to other agencies	5,314	-	232,675	227,361
Interest on long-term debt	6,636,380	-	-	(6,636,380)
Total governmental activities	<u>\$ 81,678,215</u>	<u>\$ 407,018</u>	<u>\$ 9,989,063</u>	<u>(71,282,134)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				25,454,998
Taxes levied for debt service				11,481,224
Taxes levied for other specific purposes				1,965,457
Federal and state aid not restricted to specific purposes				26,411,043
Interest and investment earnings				1,265,104
Miscellaneous				5,770,098
Total general revenues				<u>72,347,924</u>
Change in net position				1,065,790
Net position beginning				(19,934,968)
Prior period adjustment - GASB 75 other postemployment benefits				(5,824,367)
Net position beginning - adjusted				<u>(25,759,335)</u>
Net position ending				<u>\$ (24,693,545)</u>

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District

Governmental Funds

Balance Sheet

June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 8,070,616	\$ 30,205,215	\$ 12,405,580	\$ 3,538,555	\$ 54,219,966
Accounts receivable	2,053,410	-	-	139,811	2,193,221
Due from other funds	339,000	50,879	-	696,537	1,086,416
Other assets and prepaids	191,484	-	-	85	191,569
Stores inventories	-	-	-	20,984	20,984
Total Assets	\$ 10,654,510	\$ 30,256,094	\$ 12,405,580	\$ 4,395,972	\$ 57,712,156
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 4,304,452	\$ 4,958,566	\$ -	\$ 128,240	\$ 9,391,258
Due to other funds	747,416	-	-	339,000	1,086,416
Unearned revenue	50,342	-	-	-	50,342
Total Liabilities	5,102,210	4,958,566	-	467,240	10,528,016
Fund balances:					
Nonspendable:					
Revolving fund	5,000	-	-	200	5,200
Stores inventories	-	-	-	20,984	20,984
Prepaid and other	191,484	-	-	85	191,569
Restricted for:					
Educational programs	545,277	-	-	-	545,277
Debt service	-	-	12,405,580	-	12,405,580
Cafeteria programs	-	-	-	84,423	84,423
Capital projects	-	25,297,528	-	484,812	25,782,340
Assigned for:					
Educational programs	350,000	-	-	-	350,000
Instructional materials	500,000	-	-	-	500,000
Enrollment and staffing	1,021,446	-	-	-	1,021,446
Sites and departments	273,694	-	-	-	273,694
Capital facilities projects	-	-	-	3,338,228	3,338,228
Unassigned:					
Economic uncertainties	2,665,399	-	-	-	2,665,399
Total Fund Balances	5,552,300	25,297,528	12,405,580	3,928,732	47,184,140
Total Liabilities and Fund Balances	\$ 10,654,510	\$ 30,256,094	\$ 12,405,580	\$ 4,395,972	\$ 57,712,156

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2018

Total fund balances - governmental funds \$ 47,184,140

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 194,585,810	
Accumulated depreciation	<u>(64,486,457)</u>	130,099,353

The difference between projected and actual amounts from pension plans are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position. Some amounts reported in the current year were reported as deferred outflows of resources because they were not paid as of the plans' valuation dates. 14,492,888

The differences between projected and actual amounts in OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:

OPEB adjustments:	
Contributions subsequent to the measurement date	949,553

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (2,656,000)

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 year-end consist of:

General obligation bonds	\$ 147,895,000	
Loss on early retirement of long-term debt	(3,303,589)	
Bond premiums	8,069,147	
Capital lease	237,713	
Early retirement incentives	9,000	
Net pension obligations	53,570,968	
Annual net OPEB obligation	8,105,640	
Compensated absences (vacation)	<u>179,600</u>	<u>(214,763,479)</u>

Total net position - governmental activities \$ (24,693,545)

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 49,711,728	\$ -	\$ -	\$ -	\$ 49,711,728
Federal revenue	2,470,354	-	-	926,875	3,397,229
Other state	5,516,193	400	86,173	77,896	5,680,662
Other local	7,255,412	478,293	11,489,855	4,124,340	23,347,900
Total revenues	64,953,687	478,693	11,576,028	5,129,111	82,137,519
Expenditures:					
Current					
Instruction	40,916,125	-	-	-	40,916,125
Instruction-related services:					
Supervision of instruction	1,760,716	-	-	-	1,760,716
Instruction library, media and technology	388,339	-	-	-	388,339
School site administration	5,235,865	-	-	-	5,235,865
Pupil services:					
Home-to-school transportation	2,105,286	-	-	-	2,105,286
Food services	58,635	-	-	1,599,871	1,658,506
All other pupil services	4,338,213	-	-	-	4,338,213
General administration:					
Data processing	725,308	-	-	-	725,308
All other general administration	2,903,845	-	-	22,126	2,925,971
Plant services	5,846,717	4,031,952	-	1,890	9,880,559
Facilities acquisition and construction	74,521	36,342,594	-	565,074	36,982,189
Ancillary services	436,336	-	-	-	436,336
Community services	33,210	-	-	-	33,210
Transfers to other agencies	5,314	-	-	-	5,314
Debt service:					
Principal	243,119	1,463,013	5,320,000	-	7,026,132
Interest and fees	3,570	231,797	4,980,863	-	5,216,230
Total expenditures	65,075,119	42,069,356	10,300,863	2,188,961	119,634,299
Excess (deficiency) of revenues over (under) expenditures	(121,432)	(41,590,663)	1,275,165	2,940,150	(37,496,780)
Other financing sources (uses):					
Transfers in	521,000	-	-	55,000	576,000
Transfers out	(55,000)	-	-	(521,000)	(576,000)
Proceeds from bond issuance	-	33,500,000	-	-	33,500,000
Premium from bond issuance	-	-	2,172,940	-	2,172,940
Total other financing sources (uses)	466,000	33,500,000	2,172,940	(466,000)	35,672,940
Net changes in fund balances	344,568	(8,090,663)	3,448,105	2,474,150	(1,823,840)
Fund balances beginning	5,207,732	33,388,191	8,957,475	1,454,582	49,007,980
Fund balances ending	<u>\$ 5,552,300</u>	<u>\$ 25,297,528</u>	<u>\$ 12,405,580</u>	<u>\$ 3,928,732</u>	<u>\$ 47,184,140</u>

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District
 Reconciliation of the Governmental Funds Statement of
 Revenues and Expenditures and Changes in Fund Balances
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ (1,823,840)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 38,037,533	
Depreciation expense	<u>(3,568,840)</u>	34,468,693

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Repayment of bond principal	\$ 5,320,000	
Proceeds from issuance of bonds	(33,500,000)	
Bond premiums	(2,172,940)	
Repayment of lease obligations	<u>1,706,132</u>	(28,646,808)

Issuance costs, discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:

Amortization of deferred loss on early retirement of long-term debt	\$ (473,150)	
Amortization of bond premiums	<u>575,838</u>	102,688

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used. (38,361)

In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (211,068)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (1,847,558)

In the statement of activities, obligations for early retirement incentives are recorded because of their long-term nature, but are not required to be recorded in the governmental fund statements. The change in early retirement incentives reported in the statement of activities was: 9,044

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (947,000)

Changes in net position of governmental activities \$ 1,065,790

The notes to basic financial statements are an integral part of this statement.

Cotati-Rohnert Park Unified School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

	Student Body Agency Fund Total
Assets	
Cash on hand and in banks	\$ 316,125
Total Assets	<u>\$ 316,125</u>
Liabilities	
Due to student groups	\$ 316,125
Total Liabilities	<u>\$ 316,125</u>

The notes to basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund activities.

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

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

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Outflows/Deferred Inflows:

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period, for example, prepaid items and deferred charges. Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period, for example, unearned revenue and advance collections.

Unearned Revenue:

Unearned/Deferred Revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. 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 or retained earnings, revenues, and expenditures or expenses, as appropriate. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects fund:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees committed to acquire temporary or permanent facilities.
- The *County School Facilities Fund* was established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for redevelopment funds received under contracts with the cities of Rohnert Park and Cotati.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

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

G. Encumbrances

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

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

H. Benefit Plans

Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

I. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

b) Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

c) Stores Inventories and Prepaid Expenditures

Stores Inventories

Stores inventories are recorded using the purchases method, in that inventory acquisitions are recorded as expenditures.

Prepaid expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position.

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvement of sites	15-20
Buildings	40
Portable buildings	15-20
Building improvements	15-20
Furniture and fixtures	5-15
Playground equipment	15-20
Food services equipment	5-15
Transportation equipment	5-15
Telephone system	5-15
Vehicles	5
Computer system and equipment	5
Office equipment	5

e) Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense 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.

e) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of the debt issued and any premiums or discounts are reported as other financing sources or uses.

f) Fund Balance Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of four percent of general fund operating expenditures and other financing uses.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's governing board.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Chief Business Official.
- Unassigned includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

g) Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Educational program restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

Debt service restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Cafeteria program restrictions reflect the cash balances in the cafeteria fund that are restricted for food services and child nutrition programs.

Capital projects restrictions will be used for the acquisition and construction of capital facilities.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restrictions on these assets are released and converted to capital assets.

h) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

i) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District pools its risks with other school districts in the County as a part of public entity risk pools. The District pays annual premiums for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreement provides that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

insured levels. The District is also a part of a risk pool which provides medical, dental and vision coverage. See Note 8 for further disclosure.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlements exceeding insurance coverage.

j) Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

k) Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

l) Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure, other than the following:

In December 2018, the District issued \$26,400,000 in 2016 Election, Series C general obligation bonds. The bonds were issued at a premium of \$1,965,575 and have coupon rates from 4 to 5% through 2046. The bonds were issued to fund future capital facilities projects.

J. Implemented New Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The provisions in Statement 75 are effective for the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve 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. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of **\$5,824,367** has been shown as an adjustment to beginning net position (**prior period adjustment**) in the Statement of Activities as a separate line item. See Note 10 for additional information.

GASB Statement No. 86, Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017, the fiscal year ended June 30, 2018. This statement did not have an impact on the District's financial statements.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

NOTE 2 – CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2018 is as follows:

Description	Carrying Amount	Fair Value
Governmental -Wide Statements:		
Cash in county treasury investment pool	\$ 54,204,236	\$ 53,744,410
Carrying amount of cash in banks	7,090	7,090
Cash in revolving fund	5,200	5,200
Cash awaiting deposit	3,440	3,440
Total Cash and Investments	<u>\$ 54,219,966</u>	<u>\$ 53,760,140</u>
Fiduciary Funds:		
Cash in banks and on hand	<u>\$ 316,125</u>	<u>\$ 316,125</u>

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to \$250,000 per entity and per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2018, the bank balance of the District's accounts with banks was \$336,329, which exceeded FDIC insurance by \$86,329.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

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

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of Sonoma Investment Pool. The pool has a fair value of approximately \$2.42 billion and an amortized book value of \$2.45 billion. The average maturity of the pool was 533 days and the pool holds no derivative products.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County of Sonoma Investment Pool is governed by the County's general investment policy. The investment with the County of Sonoma Investment Pool is rated at least Aa1 by Moody's Investor Service.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Custodial Credit Risk - Deposits

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

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2018:

<u>Receivables</u>	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Federal Government:			
Child Nutrition	\$ -	\$ 126,853	\$ 126,853
Special Education	1,113,031	-	1,113,031
Title I	61,583	-	61,583
Title II	40,576	-	40,576
Title III	51,500	-	51,500
Other Federal Resources	36,117	-	36,117
State Government:			
After School Education	36,855	-	36,855
Child Nutrition	-	10,241	10,241
Lottery	236,277	-	236,277
Mental Health	252,657	-	252,657
Local Government			
Other Local Resources	37,112	-	37,112
Other Resources	187,702	2,717	190,419
<u>Total Accounts Receivable</u>	<u>\$ 2,053,410</u>	<u>\$ 139,811</u>	<u>\$ 2,193,221</u>

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2018 were as follows:

Capital Assets	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Land - not depreciable	\$ 9,482,482	\$ -	\$ -	\$ 9,482,482
Work-in-progress - not depreciable	16,458,801	36,700,318	(670,639)	52,488,480
Buildings	111,552,373	1,441,022	-	112,993,395
Site Improvements	8,995,029	446,662	-	9,441,691
Furniture and equipment	10,059,592	120,170	-	10,179,762
Total capital assets	156,548,277	38,708,172	(670,639)	194,585,810
Less accumulated depreciation for:				
Buildings	52,070,271	3,143,487	-	55,213,758
Site improvement	6,552,060	321,538	-	6,873,598
Furniture and equipment	2,295,286	103,815	-	2,399,101
Total accumulated depreciation	60,917,617	3,568,840	-	64,486,457
Total capital assets - net depreciation	\$ 95,630,660	\$ 35,139,332	\$ (670,639)	\$ 130,099,353

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,530,468
Supervision of instruction	53,029
Instruction library, media and technology	12,803
School site administration	276,298
Food services	4,288
All other pupil services	159,392
Data processing	36,978
All other general administration	153,840
Plant services	341,744
Total depreciation expense	\$ 3,568,840

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 5 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), 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 occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2018:

Description	Due From Other Funds	Due To Other Funds
General Fund	\$ 339,000	\$ 747,416
Cafeteria Fund	-	115,000
Building Fund	50,879	-
Special Reserve Fund for Capital Projects	696,537	224,000
Totals	<u>\$ 1,086,416</u>	<u>\$ 1,086,416</u>

Interfund Transfers

During the fiscal year ended June 30, 2018, the District's interfund transfers consisted of the following:

Description	Transfers In	Transfers Out
General Fund	\$ 521,000	\$ 55,000
Cafeteria Fund	55,000	-
Special Reserve Fund for Capital Projects	-	521,000
Totals	<u>\$ 576,000</u>	<u>\$ 576,000</u>

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

NOTE 6 – LONG-TERM DEBT

Schedule of Changes in Long-term Debt

A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, is shown below:

Description	Balance			Balance June 30, 2018	Due Within One Year
	July 01, 2017	Additions	Reductions		
General obligation bonds	\$ 119,715,000	\$ 33,500,000	\$ 5,320,000	\$ 147,895,000	\$ 6,340,000
Unamortized bond premium	6,472,045	2,172,940	575,838	8,069,147	659,413
Subtotal general obligation bonds	126,187,045	35,672,940	5,895,838	155,964,147	6,999,413
Capital leases	1,943,845	-	1,706,132	237,713	237,713
Early retirement incentives	18,044	-	9,044	9,000	3,000
Net pension obligations	44,003,257	30,069,104	20,501,393	53,570,968	-
Annual net OPEB obligation	1,120,652	8,739,616	1,754,628	8,105,640	-
Compensated absences	234,852	304,954	360,206	179,600	179,600
Total Long-term Debt	\$ 173,507,695	\$ 74,786,614	\$ 30,227,241	\$ 218,067,068	\$ 7,419,726

Payments on the general obligation bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences were paid by the fund for which the employee worked. Early retirement incentives, net pension obligations and net OPEB obligations were paid from the General Fund. Capital leases were paid from the General Fund and the Building Fund.

General Obligation Bonds Payable

The following summarizes the general obligation bonds outstanding as of June 30, 2018:

Description	Issue Date	Maturity Date	Interest Rate Percent	Original Issue	Bonds			Bonds
					Outstanding July 01, 2017	Issued/ Adjustments	Redeemed	Outstanding June 30, 2018
2010 Refunding GOB	2010	2025	2-5	16,355,000	\$ 8,680,000	\$ -	\$ 1,285,000	\$ 7,395,000
2014 Refunding GOB, Series A and B	2015	2026	2-5	35,610,000	33,325,000	-	3,125,000	30,200,000
2014 GOB, Series A and B	2015	2050	1.1-5	21,000,000	17,210,000	-	-	17,210,000
2014 GOB, Series C and D	2016	2051	1.3-5	25,500,000	25,500,000	-	910,000	24,590,000
2016 GOB, Series A and B	2017	2047	1.81-5	35,000,000	35,000,000	-	-	35,000,000
2014 GOB, Series E	2018	2044	3-4	33,500,000	-	33,500,000	-	33,500,000
Total General Obligation Bonds					\$ 119,715,000	\$ 33,500,000	\$ 5,320,000	\$ 147,895,000

In 2011, the District issued \$16,355,000 in General Obligation Bonds to advance refund \$16,270,000 of outstanding 1997 Series H and 2001 Series A bonds. The net proceeds of \$16,556,393 (after payment of \$379,473 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the 1997 Series H and 2001 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The 2011 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,088,265. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight-line method.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In 2014, the District issued \$21,000,000 in 2014 Series A and B General Obligation Bonds to finance school facilities projects as identified in Measure B. The net proceeds of \$20,993,493 (after payment of \$364,568 in underwriting fees, insurance, and other issuance costs) included a premium of \$358,061.

In 2014, the District issued \$35,610,000 in 2014 Series A and B General Obligation Bonds to advance refund \$39,385,000 of outstanding bonds. The net proceeds of \$39,489,060 (after payment of \$409,292 in underwriting fees, insurance, and other issuance costs) included a premium of \$4,288,352 and were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The 2014 advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,394,060.

In November 2015, the District issued \$25,500,000 in 2014 Series C and D General Obligation bonds. The bonds were issued at a premium of \$1,276,038 and have coupon rates from 1.3 to 5% through 2035. The bonds were issued to fund future capital facilities projects.

In April 2017, the District issued \$31,000,000 in 2016 Series A and \$4,000,000 in 2016 Series D General Obligation bonds. The bonds were issued at a premium of \$847,435 and have coupon rates from 1.81 to 5% through 2046. The bonds were issued to fund future capital facilities projects.

In December 2017, the District issued \$33,500,000 in 2014 Election, Series E general obligation bonds. The bonds were issued at a premium of \$2,172,940 and have coupon rates from 3 to 4% through 2043. The bonds were issued to fund future capital facilities projects.

As of June 30, 2018, the annual debt service requirements of the District's general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,340,000	\$ 6,182,533	\$ 12,522,533
2020	7,735,000	5,789,566	13,524,566
2021	6,500,000	5,451,903	11,951,903
2022	7,090,000	5,147,540	12,237,540
2023	4,495,000	4,881,763	9,376,763
2024-2028	16,695,000	21,554,038	38,249,038
2029-2033	10,895,000	19,201,863	30,096,863
2034-2038	19,350,000	16,317,044	35,667,044
2039-2043	30,585,000	11,637,966	42,222,966
2044-2048	28,285,000	4,804,850	33,089,850
2049-2053	9,925,000	531,100	10,456,100
Total Debt Service	\$ 147,895,000	\$ 101,500,166	\$ 249,395,166

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Capital Leases

In June 2015, the District entered into a capital lease for technology equipment with total payments of \$5,979,240. Payments began on September 15, 2015 and the final payment was due on June 15, 2018. The lease had an interest rate of 2.152% per annum.

During the fiscal year ended June 30, 2017, the District entered into a capital lease for equipment with total payments of \$736,581. Payments began on October 31, 2016 with the final payment on October 31, 2018. The lease bears interest from 1-2% per annum.

The future minimum lease payments on the capital leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 237,713	\$ 7,814	\$ 245,527
Total Debt Service	\$ 237,713	\$ 7,814	\$ 245,527

Early Retirement Incentives

Under the District's collective bargaining agreements, certain eligible employees under age 63 are entitled to early retirement incentive payments of a stipulated amount for a set number of years depending on their age at retirement.

Future estimated payments required under these programs are as follows:

<u>Year Ending June 30</u>	<u>Early Retirement Incentive</u>
2019	\$ 3,000
2020	3,000
2021	3,000
Total Debt Service	\$ 9,000

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation

During the normal course of business, the District may be exposed to various claims and litigation. However, management believes, based on consultation with legal counsel, that the ultimate resolution of any such matters will not have a material adverse effect on the District's financial position or results of operations.

Federal and State Allowances, Awards, and Grants

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 generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Long-Term Facility Lease

The District has a joint facility use agreement with the California State University-Sonoma State University Campus for 17,719 square feet of space to be utilized for the Technology High School. All payments were already made on the original 15,000 square foot lease. However, an amendment to the

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

lease in 2013 increased the leased space and extended the term four additional years, through June 30, 2028, for annual payments of \$223,392 over 15 years. However, as of June 30, 2018, the District had terminated this long-term lease agreement in order to relocate the Technology High School campus to a different location. The District will receive no sublease rental revenues nor pay any contingent rentals for this property.

NOTE 8 – JOINT POWERS AGREEMENTS

The District participates in two joint ventures under joint powers agreements (JPAs) with the Redwood Empire Schools' Insurance Group (RESIG) for property and liability and workers' compensation coverage, and the West County Transportation Agency for pupil transportation. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage or services for their members. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including the selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium or fee commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The following is a summary of each JPA's most recent financial statement information:

	WCTA	RESIG
	<u>June 30, 2017</u>	<u>June 30, 2017</u>
Total Assets & Deferred Outflows	\$ 29,635,813	\$ 68,934,238
Total Liabilities & Deferred Inflows	21,335,969	34,487,943
Total Equity	8,299,844	34,446,295
Total Revenues	16,424,251	20,368,179
Total Expenditures	14,994,423	15,302,313

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS

California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.0%	6.0%
Required employer contribution rates	15.531%	15.531%

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the employer contributions for the Plan were 885,679.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	\$ 11,955,418

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The District's proportionate share of the net pension liability for the Plan as of the fiscal years ended June 30, 2017 and 2018 were as follows:

	<u>CalPERS</u>
Proportion - June 30, 2017	0.05100%
Proportion - June 30, 2018	0.05008%
Change - Increase/(Decrease)	<u>-0.00092%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$2,024,247 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalPERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 1,605,517	\$ -
Differences between Expected and Actual Experience	428,313	-
Differences between Projected and Actual Investment Earnings	413,576	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	12,022
Change in Employer's Proportion	166,450	-
Pension Contributions Made Subsequent to Measurement Date	1,004,842	-
Total	<u>\$ 3,618,698</u>	<u>\$ 12,022</u>

The District reported \$1,004,842 as deferred outflows of resources related to contributions subsequent to the measurement date that 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 as pension expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Outflows/(Inflows) of Resources</u>
	<u>CalPERS</u>
2019	\$ 841,252
2020	1,203,986
2021	783,069
2022	(226,473)
2023	-
Thereafter	-
Total	<u>\$ 2,601,834</u>

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the 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 pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 for each fund. The expected rate of return was set by calculating the 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 rounded down to the nearest one quarter of one percent.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

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

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

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

	CalPERS
1% Decrease	6.15%
Net Pension Liability \$	17,590,251
Current	7.15%
Net Pension Liability \$	11,955,418
1% Increase	8.15%
Net Pension Liability \$	7,280,852

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

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>CalSTRS</u>	
	<u>Tier 1</u>	<u>Tier 2</u>
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. 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.

For the year ended June 30, 2018 the contributions for the Plan were as follows:

	<u>CalSTRS</u>
Employer Contributions	\$ 3,538,806
State Contributions	<u>2,009,694</u>
Total	<u>\$ 5,548,500</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability/(Asset)</u>
District	\$ 41,615,550
State	<u>15,468,500</u>
Total	<u>\$ 57,084,050</u>

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

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

The District's proportionate share of the net pension liability for the Plan as of the fiscal years ended June 30, 2017 and 2018 were as follows:

	<u>CalSTRS</u>
Proportion - June 30, 2017	0.04500%
Proportion - June 30, 2018	<u>0.04500%</u>
Change - Increase/(Decrease)	<u>0.00000%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$8,131,287 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalSTRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 7,709,850	\$ -
Differences between Expected and Actual Experience	-	571,950
Differences between Projected and Actual Investment Earnings	-	1,108,350
Differences between Employer's Contributions and Proportionate Share of Contributions	1,317,856	-
Change in Employer's Proportion	-	-
Pension Contributions Made Subsequent to Measurement Date	3,538,806	-
Total	<u>\$ 12,566,512</u>	<u>\$ 1,680,300</u>

The District reported \$3,538,806 as deferred outflows of resources related to contributions subsequent to the measurement date that 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 as pension expense as follows:

	<u>Outflows/(Inflows) of Resources</u>
<u>Fiscal Year Ending June 30:</u>	<u>CalSTRS</u>
2019	\$ 449,277
2020	2,068,152
2021	1,471,452
2022	385,827
2023	1,447,434
Thereafter	<u>1,525,264</u>
Total	<u>\$ 7,347,406</u>

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by age and service. Approximately 6% average over career including inflation

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) Derived using CalSTRS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.1 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 increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan'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.

The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Long-Term Expected Rate of Return ⁽¹⁾
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	100.00%	

⁽¹⁾ 20 year average

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Sensitivity of the 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 for the Plan, calculated using the discount rate for the Plan, 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 or 1-percentage point higher than the current rate:

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability \$	61,105,500
Current	7.10%
Net Pension Liability \$	41,615,550
1% Increase	8.10%
Net Pension Liability \$	25,798,950

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description.

The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical benefits for the participating groups of employees. One retired employee received medical, dental and vision benefits. Eligibility for retiree health benefits is based on age and service of the employee. Although all participants are enrolled in either the State Teachers' Retirement System (STRS) or California Public Employees' Retirement System (PERS), receipt of pension benefits is not required for retiree health and welfare eligibility.

Benefits

Certificated (RPCEA) - Employees may retire with District-paid benefits after attaining age 55 and completing at least 15 years of full-time service. For those eligible retirees, the District will contribute towards the cost of health insurance for ten years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of full-time service will receive a District contribution for five years or until age 65, if earlier. For purposes of this paragraph, employment of at least 60% full-time equivalence counts as full-time service. The District's contribution is equal to the retiree only premium for Kaiser Plan 4. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Classified (CSEA) - Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacifiCare before October 1, 2008.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Classified (SEIU) - Employees may retire with District-paid benefits after attaining age 50 and completing at least 15 years of continuous service with the District. For those eligible retirees, the District will contribute towards the cost of health insurance for 10 years or until age 65 if earlier. Retirees who have attained age 55 and completed at least 10 but fewer than 15 years of continuous service will receive a District contribution for five years or until age 65, if earlier. The District's contribution is equal to the retiree-only premium for Kaiser Plan 4, reduced by a pro-rata schedule for employees who regularly worked fewer than 6 hours per day. Certain grandfathering rules applied to retirees who were participants in HealthNet or PacificCare before October 1, 2009.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Employees Covered by Benefit Terms

At June 30, 2018, the benefit terms covered the following employees:

Active employees	489
Inactive employees	<u>60</u>
Total employees	<u>549</u>

Contributions

Total benefit payments included in the measurement period were \$805,075 which were considered contributions into the plan, but no contributions were made into a trust. The District's contributions and benefit payments were 2.65% of covered payroll during the fiscal year ended June 30, 2018. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Actuarial Cost Method
Amortization Period:	20 years
Asset Valuation Method:	Market Value of Assets
Actuarial Assumptions:	
Inflation	2.75%
Payroll Increases	2.75%
Healthcare Trend Rate	4.00%
Discount rate	6.00%
Mortality	Certificated: 2009 CalSTRS Mortality Classified: 2014 CalPERS Active Mortality for Miscellaneous Employees
Retirement	Certificated: 2009 CalSTRS Retirement Rates Classified: Hired <1/1/2013: 2009 CalPERS Rates for School Employees Classified: Hired >12/31/2012: 2014 CalPERS 2% @ 60 Rates for Miscellaneous Employees
Service Requirement	Certificated: 100% at 10 Years of Service Classified: 100% at 15 Years of Service

Discount Rate

The discount rate was based on a thirty-year rate of return under the assumption that contributions would be sufficient to fully fund the obligation.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2017 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30,2017	\$ 7,750,094	\$ -	\$ 7,750,094
Service cost	699,364	-	699,364
Interest in Total OPEB Liability	461,257	-	461,257
Employer contributions	-	805,075	(805,075)
Benefit payments	(805,075)	(805,075)	-
Net changes	355,546	-	355,546
Balance at June 30, 2018	\$ 8,105,640	\$ -	\$ 8,105,640
Covered Payroll at Measurement Date	\$ 29,831,398		
Total OPEB Liability as a % of covered payroll	27.17%		
Service cost as a % of covered payroll	2.34%		

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

Deferred Inflows and Outflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	-
OPEB contribution subsequent to measurement date	949,553	-
Totals	\$ 949,553	\$ -

Of the total amount reported as deferred outflows of resources related to OPEB, \$949,553 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2018:

Service cost	\$ 699,364
Interest in TOL	461,257
OPEB Expense	\$ 1,160,621

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018:

Net OPEB liability ending	\$ 8,105,640
Net OPEB liability beginning	(7,750,094)
Change in net OPEB liability	355,546
Employer contributions	805,075
OPEB Expense	\$ 1,160,621

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	5.0%	6.0%	7.0%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB Liability	\$ 8,499,864	\$ 8,105,640	\$ 7,732,931

Cotati-Rohnert Park Unified School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the District, as well as what the District's net 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 current healthcare cost trend rates, is as follows:

	Trend Rate		
	3.0%	4%	5.0%
	(1% Decrease)	(Current Rate)	(1% Increase)
Net OPEB Liability	\$ 7,785,431	\$ 8,105,640	\$ 8,404,103

REQUIRED
SUPPLEMENTARY
INFORMATION

Cotati-Rohnert Park Unified School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual (GAAP)
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	Original	Final		
Revenues:				
LCFF sources	\$ 49,703,057	\$ 49,711,729	\$ 49,711,728	\$ (1)
Federal revenues	2,205,517	2,516,926	2,470,354	(46,572)
Other state	4,948,700	5,514,859	5,516,193	1,334
Other local	4,633,295	7,407,943	7,255,412	(152,531)
Total revenues	61,490,569	65,151,457	64,953,687	(197,770)
Expenditures:				
Certificated salaries	24,635,730	24,958,975	24,950,205	8,770
Classified salaries	6,962,856	7,084,078	7,073,784	10,294
Employee benefits	18,448,615	18,578,523	18,577,135	1,388
Books and supplies	1,190,255	1,914,271	1,643,875	270,396
Services and other operating expenditures	10,907,117	12,525,511	12,364,934	160,577
Capital outlay	10,000	256,427	213,178	43,249
Other outgo	253,527	251,360	252,008	(648)
Total expenditures	62,408,100	65,569,145	65,075,119	494,026
Excess (deficiency) of revenues over (under) expenditures	(917,531)	(417,688)	(121,432)	296,256
Other financing sources (uses):				
Transfers in	521,000	1,240,050	521,000	(719,050)
Transfers out	(279,099)	(774,050)	(55,000)	719,050
Total other financing sources (uses)	241,901	466,000	466,000	-
Change in fund balance	(675,630)	48,312	344,568	296,256
Fund balances beginning	5,207,732	5,207,732	5,207,732	-
Fund balances ending	\$ 4,532,102	\$ 5,256,044	\$ 5,552,300	\$ 296,256

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures cannot legally exceed appropriations by major object. The above excess was not in accordance with Education Code 42600.

Cotati-Rohnert Park Unified School District
Schedule of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2018

CalPERS	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 1,004,842	\$ 885,679	\$ 720,373	\$ 636,598
Contributions in Relation to Actuarially Determined Contributions	1,004,842	885,679	720,373	636,598
Contribution Deficiency (Excess)	-	-	-	-
Covered Employee Payroll	\$ 6,469,912	\$ 6,377,297	\$ 6,080,482	\$ 5,408,190
Contributions as a Percentage of Covered Payroll	15.53%	13.89%	11.85%	11.77%

Notes to Schedule:

Valuation Date: June 30, 2016
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.5%
CalPERS mortality table using 20 years of membership data for all funds

STRS	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 3,538,806	\$ 3,052,511	\$ 2,399,074	\$ 1,896,801
Contributions in Relation to Actuarially Determined Contributions	3,538,806	3,052,511	2,399,074	1,896,801
Contribution Deficiency (Excess)	-	-	-	-
Covered Employee Payroll	\$ 24,523,950	\$ 24,264,793	\$ 22,358,565	\$ 21,360,372
Contributions as a Percentage of Covered Payroll	14.43%	12.58%	10.73%	8.88%

Notes to Schedule:

Valuation Date: June 30, 2016
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll
7 Years Remaining Amortization Period
Inflation Assumed at 3.00%
Investment Rate of Returns set at 7.50%
STRS mortality table using membership data for all funds

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.
There were no changes in benefit terms.
PERS discount rates were changed from 7.65 to 7.5 in 2017 and then again to 7.15 in 2018.
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018

Cotati-Rohnert Park Unified School District
Schedule of Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2018

CalPERS	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.05008%	0.04742%	0.04620%	0.04540%
District's Proportionate Share of Net Pension Liability	\$ 11,955,418	\$ 9,365,655	\$ 6,810,573	\$ 5,154,006
District's Covered Employee Payroll	\$ 6,377,297	\$ 6,080,482	\$ 5,408,190	\$ 4,756,380
District's Proportionate Share of NPL as a % of Covered Employee Payroll	187.47%	154.03%	125.93%	108.36%
Plan's Fiduciary Net Position as a % of the TPL	71.87%	73.90%	79.43%	83.38%
STRS	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.04500%	0.04283%	0.04239%	0.04500%
District's Proportionate Share of Net Pension Liability	\$ 41,615,550	\$ 34,637,602	\$ 28,536,952	\$ 26,296,650
District's Covered Employee Payroll	\$ 24,264,793	\$ 22,358,565	\$ 21,360,372	\$ 19,974,061
District's Proportionate Share of NPL as a % of Covered Employee Payroll	171.51%	154.92%	133.60%	131.65%
Plan's Fiduciary Net Position as a % of the TPL	69.46%	70.04%	74.02%	76.52%

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

There were no changes in benefit terms

PERS discount rates were changed from 7.65 to 7.5 in 2017 and then again to 7.15 in 2018.

STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018

Cotati-Rohnert Park Unified School District
Schedule of Changes in Total OPEB Liability
For the Fiscal Year Ended June 30, 2018

	Fiscal Year Ended June 30, 2018
Total OPEB liability	
Service cost	\$ 699,364
Interest	461,257
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(805,075)
Net change in Total OPEB Liability	355,546
Total OPEB Liability - beginning	7,750,094
Total OPEB Liability - ending	\$ 8,105,640
 Plan fiduciary net position	
Employer contributions	\$ 805,075
Employer implicit subsidy	-
Employee contributions	-
Net investment income	-
Difference between estimated and actual earnings	-
Benefit payments	(805,075)
Other	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	\$ -
 Net OPEB liability	 \$ 8,105,640
 Covered employee payroll	 \$ 29,831,398
 Net OPEB Liability as a percentage of covered payroll	 27.17%
 Total OPEB Liability as a percentage of covered payroll	 27.17%

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

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SUPPLEMENTARY
INFORMATION

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*Nonmajor Governmental Funds
Combining Schedules*

Cotati-Rohnert Park Unified School District

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2018

	Special	Capital Projects Funds		Total Nonmajor Governmental Funds
	Revenue	Capital Facilities Fund	Special Reserve	
	Funds		Fund for Capital Outlay Projects	
	Cafeteria Fund			
Assets				
Cash and investments	\$ 190,566	\$ 3,335,714	\$ 12,275	\$ 3,538,555
Accounts receivable	137,094	2,717	-	139,811
Due from other funds	-	-	696,537	696,537
Prepaid expenditures	85	-	-	85
Stores inventories	20,984	-	-	20,984
Total Assets	\$ 348,729	\$ 3,338,431	\$ 708,812	\$ 4,395,972
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 128,037	\$ 203	\$ -	\$ 128,240
Due to other funds	115,000	-	224,000	339,000
Total Liabilities	243,037	203	224,000	467,240
Fund Balances:				
Nonspendable revolving funds	200	-	-	200
Nonspendable stores inventories	20,984	-	-	20,984
Nonspendable prepaid expenditures	85	-	-	85
Restricted for cafeteria programs	84,423	-	-	84,423
Restricted for capital projects	-	-	484,812	484,812
Assigned for capital facilities projects	-	3,338,228	-	3,338,228
Total Fund Balances	105,692	3,338,228	484,812	3,928,732
Total Liabilities and Fund Balances	\$ 348,729	\$ 3,338,431	\$ 708,812	\$ 4,395,972

Cotati-Rohnert Park Unified School District
 Nonmajor Governmental Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2018

	Special Revenue			Total Nonmajor Governmental Funds
	Funds	Capital Projects Funds		
	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	
Revenues:				
LCFF sources	\$ -	\$ -	\$ -	\$ -
Federal revenue	926,875	-	-	926,875
Other state	77,896	-	-	77,896
Other local	411,613	2,960,938	751,789	4,124,340
Total revenues	1,416,384	2,960,938	751,789	5,129,111
Expenditures:				
Pupil services:				
Food services	1,599,871	-	-	1,599,871
General administration:				
All other general administration	-	22,126	-	22,126
Plant services	1,890	-	-	1,890
Facilities acquisition and construction	-	565,074	-	565,074
Total expenditures	1,601,761	587,200	-	2,188,961
Excess (deficiency) of revenues over (under) expenditures	(185,377)	2,373,738	751,789	2,940,150
Other financing sources (uses):				
Transfers in	55,000	-	-	55,000
Transfers out	-	-	(521,000)	(521,000)
Total other financing sources (uses)	55,000	-	(521,000)	(466,000)
Change in fund balances	(130,377)	2,373,738	230,789	2,474,150
Fund balances beginning	236,069	964,490	254,023	1,454,582
Fund balances ending	<u>\$ 105,692</u>	<u>\$ 3,338,228</u>	<u>\$ 484,812</u>	<u>\$ 3,928,732</u>

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COMPLIANCE SECTION

Cotati-Rohnert Park Unified School District

Organization (Unaudited)

June 30, 2018

The Cotati-Rohnert Park Unified School District was established on July 1, 1978. The District is located in Sonoma County and there were no changes in District boundaries during the year. During 2017-18, the District maintained seven elementary schools, two middle schools, and one comprehensive high school. In addition, the District operates one continuation high school and one magnet high school.

The Board of Education for the fiscal year ended June 30, 2018, was comprised of the following members:

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tracy Farrell	President	2018
Leffler Brown	Clerk	2018
Jennifer Wiltermood	Member	2020
Tim Nonn	Member	2020
Marc Orloff	Member	2018

Administration

Dr. Robert Haley
Superintendent

Dr. Julie Synyard
Assistant Superintendent, Educational Services

Anne Barron
Chief Business Official

Cotati-Rohnert Park Unified School District

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2018

	<u>Total ADA</u>		<u>Classroom Based</u>	
	<u>Second Period Report</u>	<u>Annual Report</u>	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA:				
Grades TK/K through three	1,609.21	1,618.16	1,604.47	1,614.52
Grades four through six	1,238.75	1,236.16	1,236.45	1,234.32
Grades seven and eight	884.17	881.40	883.94	880.45
Grades nine through twelve	1,753.94	1,737.66	1,749.42	1,731.94
Regular ADA Totals	<u>5,486.07</u>	<u>5,473.38</u>	<u>5,474.28</u>	<u>5,461.23</u>
Extended year special education:				
Grades TK/K through three	2.46	2.46	2.46	2.46
Grades four through six	0.86	0.86	0.86	0.86
Grades seven and eight	0.29	0.29	0.29	0.29
Grades nine through twelve	0.40	0.40	0.40	0.40
Special education - nonpublic, nonsect. schools:				
Grades TK/K through three	1.23	1.44	1.23	1.44
Grades four through six	7.19	7.77	7.19	7.77
Grades seven and eight	5.66	6.27	5.66	6.27
Grades nine through twelve	11.21	12.06	11.21	12.06
Extended year special education - nonpublic, nonsect. schools:				
Grades TK/K through three	0.49	0.49	0.49	0.49
Grades four through six	0.25	0.25	0.25	0.25
Grades seven and eight	0.37	0.37	0.37	0.37
Grades nine through twelve	0.78	0.78	0.78	0.78
ADA Totals	<u>5,517.26</u>	<u>5,506.82</u>	<u>5,505.47</u>	<u>5,494.67</u>

Cotati-Rohnert Park Unified School District

Schedule of Instructional Time Offered

For the Fiscal Year Ended June 30, 2018

Grade Level	Minutes Requirements	2018 Actual Minutes	(Unaudited) 2018 Original Scheduled Minutes	Actual Number of Days Traditional Calendar	(Unaudited)		Status
					Scheduled Number of Days Traditional Calendar	Number of Days Multitrack Calendar	
Kindergarten	36,000	49,145	50,250	176	180	0	In compliance ⁽¹⁾
Grade 1	50,400	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 2	50,400	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 3	50,400	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 4	54,000	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 5	54,000	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 6	54,000	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 7	54,000	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 8	54,000	53,965	55,170	176	180	0	In compliance ⁽¹⁾
Grade 9	64,800	63,415	65,295	176	180	0	In compliance ⁽¹⁾
Grade 10	64,800	63,415	65,295	176	180	0	In compliance ⁽¹⁾
Grade 11	64,800	63,415	65,295	176	180	0	In compliance ⁽¹⁾
Grade 12	64,800	63,415	65,295	176	180	0	In compliance ⁽¹⁾

(1) The District has an approved Form J-13A, Request for Allowance of Attendance Due to Emergency Conditions, for school closure due to California wild fires. Pursuant to Education Code section 41422, 46200, 46391, 46392 and the California Code of Regulations the approved Form J-13A combined with attendance records to document compliance with instructional time laws.

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time year as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

Cotati-Rohnert Park Unified School District

Schedule of Charter Schools (Unaudited)

June 30, 2018

This schedule is provided to list all charter schools authorized by the District and indicates whether or not each charter school is included in the District audit.

Charter School

Credo High School

Status

Independent separate legal entity excluded from the District's financial statements

Cotati-Rohnert Park Unified School District
 Schedule of Financial Trends and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2018

	(Budget ¹)			
	2019	2018	2017	2016
General Fund				
Revenues and other financial sources	\$ 67,243,763	\$ 65,474,687	\$ 64,896,983	\$ 63,120,753
Expenditures	67,213,480	65,075,119	63,639,748	60,648,756
Other uses and transfers (out)	309,099	55,000	232,002	187,167
Total outgo	67,522,579	65,130,119	63,871,750	60,835,923
Change in fund balance	\$ (278,816)	\$ 344,568	\$ 1,025,233	\$ 2,284,830
Ending fund balance	\$ 5,986,872	\$ 6,265,688	\$ 5,921,120	\$ 4,895,887
Available reserves ⁽²⁾	\$ 2,697,051	\$ 2,665,399	\$ 1,917,781	\$ 1,898,299
Reserve for economic uncertainties	\$ 2,697,497	\$ 2,665,399	\$ 1,917,781	\$ 1,898,299
Unassigned fund balance	\$ (446)	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	4.0%	4.1%	3.0%	3.1%
Total long-term debt	\$ 210,647,342	\$ 218,067,068	\$ 173,507,695	\$ 135,334,843
Average daily attendance (ADA) at P-2	5,612	5,517	5,556	5,651

ADA has decreased by 134 over the past three years. The District budget reflects an increase of 95 ADA next year.

The general fund balance has increased by \$1,369,801 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo). The fiscal year 2018/19 budget projects a \$278,816 decrease in fund balance.

The District has had an operating surplus in each of the past three years. Total long-term debt has increased by \$82,638,612 over the past three years due to the issuance of voter-approved general obligation bonds.

¹ Budget numbers are based on the original adopted budget for the fiscal year 2018/19.

² Available reserves consist of all unassigned fund balances in the general fund, which include the reserve for economic uncertainties.

Cotati-Rohnert Park Unified School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition - National School Lunch Program	10.555	(1) 13524	\$ 926,875
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>926,875</u>
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
<i>Special Education Cluster</i>			
IDEA Local Assistance - Preschool	84.027	13682	81,480
IDEA Local Assistance	84.027	13379	896,905
IDEA Local Assistance - Mental Health	84.027	15197	86,446
IDEA Preschool	84.173	13430	39,341
<i>Total Special Education Cluster</i>			<u>1,104,172</u>
<i>Title I, Part A Cluster</i>			
Title I, Basic Grants Low Income and Neglected	84.010	(1) 14329	712,402
<i>Total Title I, Part A Cluster</i>			<u>712,402</u>
NCLB: Title III, Immigrant Education Program	84.365	15146	15,706
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	126,090
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	36,117
Title II, Improving Teacher Quality	84.367	14341	155,236
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>2,149,723</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education:			
<i>Medicaid Cluster</i>			
Medi-Cal Billing Option	93.778	10013	81,429
Medi-Cal Administrative Activities	93.778	10060	190,145
<i>Total Medicaid Cluster</i>			<u>271,574</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>271,574</u>
TOTAL FEDERAL PROGRAMS			<u><u>\$ 3,348,172</u></u>

(1) Audited as major program
There were no pass throughs to subrecipients during the year

Cotati-Rohnert Park Unified School District
 Reconciliation of Annual Financial and Budget Report (SACS)
 to the Audited Financial Statements
 For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 2,886,801	\$ 25,297,528	\$ 12,405,580	\$ 6,594,231
Adjustments and Reclassifications: Special Reserve Fund for Other Than Capital Outlay	<u>2,665,499</u>	<u>-</u>	<u>-</u>	<u>(2,665,499)</u>
June 30, 2018 Audited Financial Statements Fund Balances	<u>\$ 5,552,300</u>	<u>\$ 25,297,528</u>	<u>\$ 12,405,580</u>	<u>\$ 3,928,732</u>

Cotati-Rohnert Park Unified School District

Notes to Compliance Section
For the Fiscal Year Ended June 30, 2018

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 in 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 and Longer Instructional Year. 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 46200 through 46206.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools authorized by the District and displays information on whether or not the charter school is included in the District audit.

D. Schedule of Financial Trends and Analysis

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

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

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

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no material unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

Cotati-Rohnert Park Unified School District

Notes to Compliance Section
For the Fiscal Year Ended June 30, 2018

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified 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 Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT
AUDITOR'S REPORTS



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 Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 8, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and



material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

C & A LLP

January 8, 2019
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)**

Board of Trustees
Cotati-Rohnert Park Unified School District
Rohnert Park, California

Report on Compliance for Each Major Federal Program

We have audited Cotati-Rohnert Park Unified School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The 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 statutes, 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 the 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 Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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.

Report on Internal Control over Compliance

Management of the 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 the 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 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

C & A LLP

January 8, 2019
San Jose, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

Board of Trustees
 Cotati-Rohnert Park Unified School District
 Rohnert Park, California

Compliance

We have audited the Cotati-Rohnert Park Unified School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District’s state programs identified below 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 its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State’s audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and the state 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 compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes



<u>Description</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
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	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Full-time Independent Study program because the ADA was under the level that requires testing.

Opinion

In our opinion, Cotati-Rohnert Park Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2018.

C & A LLP

January 8, 2019
 San Jose, California

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FINDINGS AND
RECOMMENDATIONS

Cotati-Rohnert Park Unified School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses?	___ Yes	<u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u> x </u> No
Non-compliance material to financial statements noted?	___ Yes	<u> x </u> No

Federal Awards

Internal control over major programs:		
Material weaknesses?	___ Yes	<u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u> x </u> No

Type of auditor's report issued on compliance over major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes	<u> x </u> No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.555	Child Nutrition
84.010	Title I, Basic Grants Low Income and Neglected

Dollar threshold used to distinguish between type A and type B programs:	\$	<u> 750,000 </u>
Auditee qualified as low risk auditee?	___ Yes	<u> x </u> No

State Awards

Internal control over state programs:		
Material weaknesses?	___ Yes	<u> x </u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u> x </u> No

Type of auditor's report issued on compliance over state programs:	<u>Unmodified</u>	
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Cotati-Rohnert Park Unified School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

Cotati-Rohnert Park Unified School District
Schedule of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - State Award Findings and Questioned Costs

None

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR COTATI, ROHNERT PARK AND SONOMA COUNTY

The following information concerning the City of Cotati, the City of Rohnert Park and Sonoma County is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the Cities, the County, the State or any of its political subdivisions, other than the District, and none of the Cities, the County, the State or any of its political subdivisions, other than the District, is liable therefor.

Location

Rohnert Park and Cotati (the “**Cities**”) are located in southern Sonoma County (the “**County**”), along Highway 101 approximately eight miles south of Santa Rosa and approximately 50 miles north of San Francisco. The County covers approximately 1,580 square miles. Varied terrain in the County includes Pacific coastline, the Russian River, vineyards, and old growth redwoods. Sonoma County is the original home of wine production in northern California and still the largest producer of quality wine.

Population

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

COUNTY OF SONOMA					
Population					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Cloverdale	8,860	8,918	9,003	9,141	9,257
Cotati	7,476	7,486	7,497	7,739	7,919
Healdsburg	11,868	11,918	11,943	12,232	12,501
Petaluma	60,237	60,757	61,124	62,251	62,247
Rohnert Park	41,687	41,969	42,034	43,178	43,339
Santa Rosa	175,154	176,005	176,790	177,017	175,625
Sebastopol	7,622	7,658	7,666	7,808	7,885
Sonoma	11,126	11,157	11,185	11,423	11,556
Windsor	27,623	27,777	27,836	28,356	28,565
Unincorporated	149,229	149,488	149,781	143,721	141,781
County Total	500,882	503,133	504,859	502,866	500,675

Source: California State Department of Finance, Demographic Research Unit

Employment

The City of Rohnert Park's principal employers are set forth below.

CITY OF ROHNERT PARK Principal Employers

Employer	Number of Employees	Percentage of Total City Employment
Sonoma State University	1,504	6.57%
Cotati-Rohnert Park USD	604	2.64
City of Rohnert Park	298	1.30
Wal-Mart Store #1755	242	1.06
Comcast Cable Communications	210	0.92
Costco Wholesale #659	181	0.79
Marmot Mountain LLC	138	0.60
Rieke Corporation dba Innovative Molding	136	0.59
I dex Health Science, LLC	132	0.58
Home Depot #641	126	0.55
Total	3,571	15.59%
Total City Employment	22,900	

Source: City of Rohnert Park, Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018.

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Major Employers

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

COUNTY OF SONOMA Major Employers (As of September 2019)

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Amy's Kitchen	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Calix Inc	Petaluma	Communications Services NEC
Flex Products	Santa Rosa	Coatings-Vacuum Deposition (mfrs)
Ghilotti Construction Co	Santa Rosa	Excavating Contractors
H2Hotel	Healdsburg	Hotels & Motels
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
Korbel Champagne Cellars	Monte Rio	Wineries (mfrs)
Macy's	Santa Rosa	Department Stores
Medtronic Cardiovascular	Santa Rosa	Surgical Instruments-Manufacturers
Petaluma City Passports	Petaluma	Government Offices-City/Village & Twp
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1 LLC	Cotati	Transportation Services
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Sante At the Fairmont Sonoma	Sonoma	Hotels & Motels
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Sonoma Developmental Ctr	Eldridge	Hospitals
Sonoma Valley Hospital	Sonoma	Hospitals
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-Transportation Prgms
Walmart	Windsor	Department Stores
Walmart	Rohnert Park	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Employment and Industry

The Cities are included in the Santa Rosa Metropolitan Statistical Area (“MSA”), which consists of the entire County. The unemployment rate in the County was 3.0% in July 2019, up from a revised 2.8% in June 2019, and above the year-ago estimate of 2.9%. This compares with an unadjusted unemployment rate of 4.4% for California and 4.0% for the nation during the same period.

The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2014 through 2018.

**SANTA ROSA MSA
(Sonoma County)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Civilian Labor Force ⁽¹⁾	256,100	257,900	259,400	260,400	262,300
Employment	241,800	246,300	249,100	251,600	255,200
Unemployment	14,400	11,600	10,300	8,800	7,200
Unemployment Rate	5.6%	4.5%	4.0%	3.4%	2.7%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	6,100	6,000	6,100	6,100	6,600
Mining and Logging	300	200	200	200	200
Construction	10,500	11,600	12,400	13,100	15,000
Manufacturing	20,700	22,000	22,700	23,000	23,400
Wholesale Trade	7,200	7,200	7,300	7,400	7,500
Retail Trade	24,300	24,700	25,000	25,100	24,900
Transportation, Warehousing and Utilities	4,300	4,300	4,200	4,000	4,100
Information	2,700	2,700	2,700	2,700	2,700
Finance and Insurance	4,800	5,000	5,200	5,200	4,900
Professional and Business Services	20,300	20,600	21,000	21,800	23,000
Educational and Health Services	31,200	32,100	33,000	34,100	35,000
Leisure and Hospitality	23,900	24,700	25,400	25,700	25,400
Other Services	6,800	7,000	7,200	7,200	7,100
Federal Government	1,300	1,300	1,300	1,400	1,300
State Government	5,000	5,100	5,000	4,800	4,400
Local Government	24,900	25,400	26,000	26,100	25,600
Total, All Industries ⁽³⁾	197,100	202,700	207,800	211,500	215,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Effective Buying Income

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

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

**COUNTY OF SONOMA
Effective Buying Income**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000’s Omitted)</u>	<u>Median Household Effective Buying Income</u>
2015	City of Cotati	\$200,545	\$49,132
	City of Rohnert Park	978,200	48,693
	Sonoma County	13,365,133	53,069
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Cotati	\$212,138	\$52,092
	City of Rohnert Park	1,013,063	50,753
	Sonoma County	14,241,130	56,067
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Cotati	\$228,409	\$55,573
	City of Rohnert Park	1,053,633	53,994
	Sonoma County	15,518,066	60,353
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Cotati	\$233,002	\$58,470
	City of Rohnert Park	1,062,970	56,172
	Sonoma County	16,179,391	62,413
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Cotati	\$244,143	\$61,629
	City of Rohnert Park	1,169,850	61,368
	Sonoma County	17,456,950	68,021
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

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

Commercial Activity

Total taxable transactions in the City of Cotati during the first quarter of calendar year 2018 was reported to be \$48,929,799, a 9.18% increase from the total taxable sales of \$44,815,344 that were reported during the first quarter of calendar year 2017. A summary of historic taxable sales within the City of Cotati is shown in the following table. Annual figures are not yet available for 2018.

**CITY OF COTATI
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)
Calendar Years 2013 through 2017**

Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	222	\$145,143	323	\$165,830
2014	228	149,494	327	171,497
2015 ⁽¹⁾	224	145,465	361	170,762
2016	219	148,728	365	177,704
2017	216	160,899	363	195,766

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
 Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable transactions in the City of Rohnert Park during the first quarter of calendar year 2018 was reported to be \$172,634,904, a 11.46% increase from the total taxable sales of \$154,885,892 that were reported during the first quarter of calendar year 2017. A summary of historic taxable sales within the City of Rohnert Park is shown in the following table. Annual figures are not yet available for 2018.

**CITY OF ROHNERT PARK
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)
Calendar Years 2013 through 2017**

Year	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	554	\$538,308	868	\$624,524
2014	574	554,376	882	648,032
2015 ⁽¹⁾	614	509,144	1,045	607,383
2016	610	532,033	1,034	626,884
2017	589	572,572	1,006	666,142

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
 Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be \$2,208,863,359, a 6.99% increase over the total taxable sales of \$2,064,475,577 reported during the first quarter of calendar year 2017. A summary of historic taxable sales within the County is shown in the following table. Annual figures are not yet available for 2018.

COUNTY OF SONOMA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Figures in Thousands)
Calendar Years 2013 through 2017

Year	Retail Stores		Total Outlets	
	Retail Permits on July 1	Taxable Transactions	Total Permits on July 1	Taxable Transactions
2013	11,586	\$5,618,188	17,788	\$8,017,882
2014	11,881	5,931,984	18,179	8,467,551
2015 ⁽¹⁾	8,999	6,104,395	19,916	8,704,969
2016	11,381	6,348,476	20,378	9,002,536
2017	11,366	6,679,426	20,533	9,393,597

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

Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Construction Activity

Building activity for the years 2014 through 2018 in the City of Cotati, the City of Rohnert Park, and the County is shown in the following tables.

CITY OF COTATI
Total Building Permit Valuations
(Figures in Thousands)
Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$694.2	\$837.6	\$4,292.2	\$10,140.2	\$335.0
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	308.1	498.7	431.3	160.9	434.3
Total Residential	1,002.3	1,336.3	4,723.5	10,301.3	769.3
New Commercial	0.0	0.0	0.0	600.0	8.6
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	30.0	16.5	123.2	54.0	15.3
Com. Alterations/Additions	300.7	1,190.5	60.0	217.2	1,461.1
Total Nonresidential	330.7	1,207.0	183.2	871.2	1,485.0
<u>New Dwelling Units</u>					
Single Family	4	4	19	50	2
Multiple Family	0	0	0	0	0
TOTAL	4	0	19	50	2

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF ROHNERT PARK
Total Building Permit Valuations
(Figures in Thousands)
Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$115.0	\$300.0	\$18,663.9	\$26,959.5	\$48,388.5
New Multi-family	0.0	11,700.0	0.0	0.0	43,209.6
Res. Alterations/Additions	<u>1,777.6</u>	<u>1,852.4</u>	<u>2,009.4</u>	<u>3,441.5</u>	<u>3,186.9</u>
Total Residential	1,892.6	13,852.4	20,673.3	30,401.0	94,785.0
New Commercial	25,169.0	9,625.5	810.2	3,246.9	23,401.1
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	422.0	1,436.5	2,417.5	2,617.1	1,059.8
Com. Alterations/Additions	<u>5,918.3</u>	<u>3,725.2</u>	<u>11,675.5</u>	<u>5,955.3</u>	<u>8,115.9</u>
Total Nonresidential	31,509.3	14,787.2	14,903.2	11,819.1	32,576.8
<u>New Dwelling Units</u>					
Single Family	2	2	127	184	260
Multiple Family	0	84	0	0	353
TOTAL	2	86	127	184	613

SONOMA COUNTY
Total Building Permit Valuations
(Figures in Thousands)
2014 through 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$69,788.4	\$65,968.4	\$112,941.1	\$202,169.1	\$1,071,852.3
New Multi-family	91,806.3	27,797.3	26,149.2	46,674.0	127,743.3
Res. Alterations/Additions	<u>64,228.0</u>	<u>78,005.1</u>	<u>71,079.1</u>	<u>97,326.9</u>	<u>96,590.5</u>
Total Residential	225,822.7	171,770.8	210,169.4	346,170.0	1,296,186.1
New Commercial	55,718.9	53,975.7	93,462.5	79,737.8	141,873.8
New Industrial	0.0	2,484.9	156.4	759.6	1,277.3
New Other	8,657.2	16,513.4	19,255.1	25,572.7	66,129.7
Com. Alterations/Additions	<u>70,889.7</u>	<u>84,641.9</u>	<u>79,943.6</u>	<u>99,102.9</u>	<u>124,238.1</u>
Total Nonresidential	135,265.8	157,615.9	192,817.6	205,173.0	333,518.9
<u>New Dwelling Units</u>					
Single Family	292	236	560	881	3,247
Multiple Family	<u>214</u>	<u>206</u>	<u>264</u>	<u>351</u>	<u>1,057</u>
TOTAL	506	442	824	1,232	4,304

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

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

Education

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

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

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APPENDIX D
FORM OF OPINION OF BOND COUNSEL
(Series D Bonds)

November 14, 2019

Board of Trustees
Cotati-Rohnert Park Unified School District
7165 Burton Avenue
Rohnert Park, CA 94928

OPINION: \$18,600,000 Cotati-Rohnert Park Unified School District (Sonoma County, California) General Obligation Bonds, Election of 2016, Series D

Members of the Board of Trustees:

We have acted as bond counsel to the Cotati-Rohnert Park Unified School District (the "District") in connection with the issuance by the District of \$18,600,000 principal amount of Cotati-Rohnert Park Unified School District (Sonoma County, California) General Obligation Bonds Election of 2016, Series D, dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution of the Board of Trustees of the District (the "Board") adopted on October 15, 2019 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Sonoma is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property that is taxable at limited rates).

4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

FORM OF OPINION OF BOND COUNSEL
(Refunding Bonds)

May 7, 2020

Board of Trustees
Cotati-Rohnert Park Unified School District
7165 Burton Avenue
Rohnert Park, CA 94928

OPINION: \$4,385,000_ Cotati-Rohnert Park Unified School District (Sonoma County, California) 2020 General Obligation Refunding Bonds (Forward Delivery)

Members of the Board of Trustees:

We have acted as bond counsel to the Cotati-Rohnert Park Unified School District (the "District") in connection with the issuance by the District of \$4,385,000 principal amount of Cotati-Rohnert Park Unified School District (Sonoma County, California) 2020 General Obligation Refunding Bonds (Forward Delivery), dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution of the Board of Trustees of the District (the "Board") adopted on October 15, 2019 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Sonoma is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property that is taxable at limited rates).
4. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District

comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

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

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

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$18,600,000
COTATI-ROHNERT PARK UNIFIED
SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2016, Series D

\$4,385,000
COTATI-ROHNERT PARK UNIFIED
SCHOOL DISTRICT
(Sonoma County, California)
2020 General Obligation Refunding Bonds
(Forward Delivery)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Cotati-Rohnert Park Unified School District (the “District”) in connection with the execution and delivery of the captioned bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to resolutions adopted by the Board of Trustees of the District on October 15, 2019 (collectively, the “Bond Resolution”). The Treasurer and Tax Collector of Sonoma County, through its agent, The Bank of New York Mellon Trust Company, N.A., is initially acting as paying agent for the Bonds (the “Paying Agent”).

The District hereby covenants and agrees as follows:

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

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

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30th).

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

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

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

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Paying Agent*” means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

“*Participating Underwriter*” means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2020 with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form prescribed by the MSRB, with a copy to the Paying Agent and Participating Underwriter.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not

available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

- (i) total assessed value of taxable property in the District;
- (ii) the top twenty secured property taxpayers and their respective secured property assessed values;
- (iii) property tax levies, collections and delinquencies, but only if the District's general obligation bond collections are not included on the County's Teeter Plan; and
- (iv) the District's most recently approved Budget or interim report, which is available at the time of filing the Annual Report.

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

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

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such

jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November 14, 2019

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

By: _____

Name: _____

Title: _____

Acceptance of Duties as Dissemination Agent:

**ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC**

By: _____

Title: _____

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APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

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

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds 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 Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

**SONOMA COUNTY INVESTMENT POLICY AND
MONTHLY INVESTMENT REPORT**

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COUNTY OF SONOMA



STATEMENT OF INVESTMENT POLICY

Effective 01-09-18

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COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

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

1. POLICY STATEMENT

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

2. STANDARDS OF CARE

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer, employees involved in the investment process and the members of the Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the Policy.

3. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

- [a] **SAFETY OF CAPITAL** - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.
- [b] **LIQUIDITY** - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.
- [c] **MAXIMUM RATE OF RETURN** - As the third objective, the Pooled Investment

Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

4. IMPLEMENTATION

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has provided the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. PARTICIPANTS

- [a] **STATUTORY PARTICIPANTS** - General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.
- [b] **VOLUNTARY PARTICIPANTS** - Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must approve in writing the Pooled Investment Fund as an authorized investment and accept the County of Sonoma Investment Policy.

6. AUTHORIZED PERSONS

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Auditor-Controller-Treasurer-Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Auditor-Controller-Treasurer-Tax Collector. The Treasury Manager or the Investment and Debt Officer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting as a trustee in a like capacity and familiarity would use in the conduct of funds of a like character, and with like aims, to safeguard the principal and maintain the liquidity needs of depositors.

7. AUTHORIZED INVESTMENTS

Authorized investments shall match the general categories established by the California Government Code Section 53635, et. seq., and further defined by California Government Code Section 53601, et. seq.. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. As the California Government Code is amended, this Policy shall likewise become amended.

8. PROHIBITED INVESTMENTS

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

9. INVESTMENT CRITERIA

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S Treasury and Agency Securities (§53601 (b & f))	5 years	100	N/A
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank (§53601 (q))	5 years	30	AA
Bonds and Notes issued by local agencies (§53601 (a & e))	5 years	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 (c & d))	5 years	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Term Corporate Notes (§53601 (k))	5 years	30	A
Mutual Funds & Money Market Mutual Funds (See Section 13) (§53601 (l))	N/A	20	Aaa & AAAM
Collateralized Mortgage Obligations (§53601 (o))	5 years	20	AA
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649et seq.)	5 years	N/A	N/A

10. BANKERS' ACCEPTANCE

No more than 30 percent of the agency's surplus funds may be invested in the Bankers' Acceptances of any one commercial bank pursuant to this section.

11. COMMERCIAL PAPER

All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's Corporation, a "P-1" rating by Moody's Investor Service, or a "F-1" rating by Fitch Financial Services, issued by corporations operating within the United States, and having total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

No more than 10% of the total assets of the investments held by a local agency may be invested in any one issuer's Commercial Paper.

12. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS

Under California Government Code Section 53601, Paragraph (j) and Section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

13. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (k), inclusive, or subdivisions (m) to (o) and with assets under management in excess of five hundred million dollars (\$500,000,000.00).

No more than 10% of the agency's funds may be invested in any one Mutual Fund.

14. JOINT POWERS AGREEMENT

With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Powers Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy.

15. COLLATERAL

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

16. CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed . All brokers/dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms must have an investment grade rating from at least one national rating service, if applicable.

Broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with financial statements.

17. WITHDRAWAL REQUESTS

- [a] **STATUTORY PARTICIPANTS** - The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor-Controller at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled

Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

- [b] **VOLUNTARY PARTICIPANTS** - For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

18. DELIVERY & SAFEKEEPING

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

19. APPORTIONMENT OF INTEREST & COSTS

Interest shall be apportioned to all Pooled Investment Fund participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Pooled Investment Fund. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code. The deduction shall be adjusted to actual cost in the fourth quarter of the fiscal year and/or the first quarter of the following fiscal year.

20. REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO

Quarterly, the County Treasurer will provide to the Treasury Oversight Committee, the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Treasury Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of

Investment Policy to the Board of Supervisors and to the legislative body of the local agencies that participate in the Pooled Investment Fund.

21. LIMITS ON HONORARIA, GIFTS AND GRATUITIES

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar 12 month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

22. AUDITS

The Treasury Oversight Committee shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

23. EXCEPTION TO POLICY

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the Pooled Investment Fund participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

24. INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.

25. DISASTER RECOVERY PLAN

The County Treasurer's Disaster Recovery Plan includes contact information for the Treasury staff and key county personnel, as well as contact information for authorized banks and brokers. Copies of the plan have been distributed to the investment staff: Assistant Treasurer-Tax Collector, Treasury Manager, and Investment and Debt Officer.

In the event we are unable to conduct normal business operations, the investment staff shall interact with one another by home phone, cell phone, or e-mail to decide on an alternate location from which to conduct daily operations. If unable to contact one another, the investment staff shall establish contact with one another through the County Office of Emergency Services.

GLOSSARY OF TERMS

ACCRUED INTEREST

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCES

A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT

One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BOOK VALUE

The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

COMMERCIAL PAPER

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CREDIT RISK

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT

The amount by which the par value of a security exceeds the price paid for the security.

EARNINGS APPORTIONMENT

The quarterly interest distribution to the Pooled Investment Fund Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pooled Investment Fund.

FAIR VALUE

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE

Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)

This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FLOATING RATE NOTE

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST

The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LOCAL AGENCY INVESTMENT FUND (LAIF)

The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET VALUE

The price at which a security is trading and could presumably be purchased or sold.

MATURITY

The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

PAR

The stated maturity value, or face value, of a security.

PAR VALUE

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM

The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

REPURCHASE AGREEMENT OR RP OR REPO

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SECURITIES LENDING

A transaction wherein the Treasurer's Pooled Investment Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

TRADE DATE

The date and time corresponding to an investor's commitment to buy or sell a security.

WEIGHTED AVERAGE MATURITY

The remaining average maturity of all securities held in a portfolio.

**QUARTERLY REPORT AND CERTIFICATION
OF THE COUNTY TREASURER
For Quarter Ending September 30, 2019**

The Government Code requires the County Treasurer to render a Quarterly Report to the County Administrator, the Board of Supervisors, the County Auditor, the Treasury Oversight Committee, and the participants of the Treasury Pool.

The Quarterly Report shall state compliance of the portfolio to the County Investment Policy and denote the ability of the pool to meet its pool's expenditures for the next six months, or provide an explanation as to why sufficient money shall or may not be available.

COMPLIANCE CERTIFICATION

I certify that the investments of the Sonoma County Investment Pool are in compliance with the County Investment Policy.

I further certify that the pool has sufficient cash flow available to meet all budgeted expenditure requirements for the next six months.

Erick Roeser
Treasurer
County of Sonoma

**SONOMA COUNTY POOLED INVESTMENT PROGRAM
For Quarter Ending September 30, 2019**

BEGINNING FUND BALANCE (07/01/2019)	\$2,523,513,465
ENDING FUND BALANCE	\$2,187,622,121
AVERAGE DAILY FUND BALANCE	\$2,284,492,067
TOTAL INTEREST EARNED (after fees)	\$12,744,959
INTEREST RATE (after fees)	2.213
INTEREST RATE (before fees)	2.285

TOTAL FUNDS MANAGED BY TREASURY

TOTAL TREASURY BALANCE (including tobacco endowment, PACE bond investments, active bank accounts and money in transit)	\$2,197,227,966
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**SONOMA COUNTY QUARTERLY INVESTMENT REPORT
For Quarter Ending September 30, 2019**

INVESTMENT POOL YIELD:

The yield during this quarter is 2.285% before fees and 2.213% after fees.

MARKET VALUE:

The market value of the portfolio as of September 30, 2019, is at 100.213% of cost. The market values are up from the last Quarterly Report. Market values were obtained from SunGard Financial Systems and Bloomberg.

REVERSE REPURCHASE AGREEMENTS:

The pool has no reverse repurchase agreements.

WEIGHTED AVERAGE MATURITY:

The weighted average days to maturity is 738 days.

Excluding SCEIP investments, the weighted average days to maturity is 715 days.

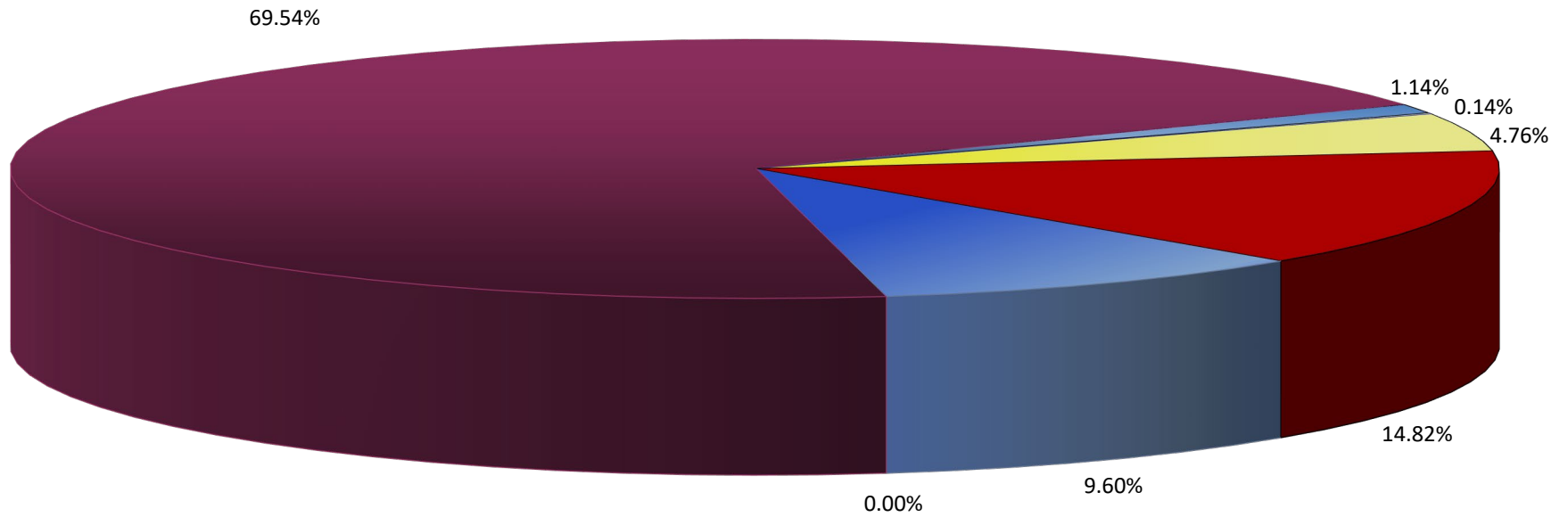
CHARTS:

- Chart 1:** The composition of the Investment Pool by the type of investment.
Chart 2: Interest earnings of the Sonoma County Investment Pool compared to FED FUNDS and Local Agency Investment Fund.

DETAILED LISTING OF INVESTMENTS:

A detailed listing of all investments for the Pooled Investment Fund is located at the end of this report.

SONOMA COUNTY'S POOLED INVESTMENTS AS OF 9/30/2019

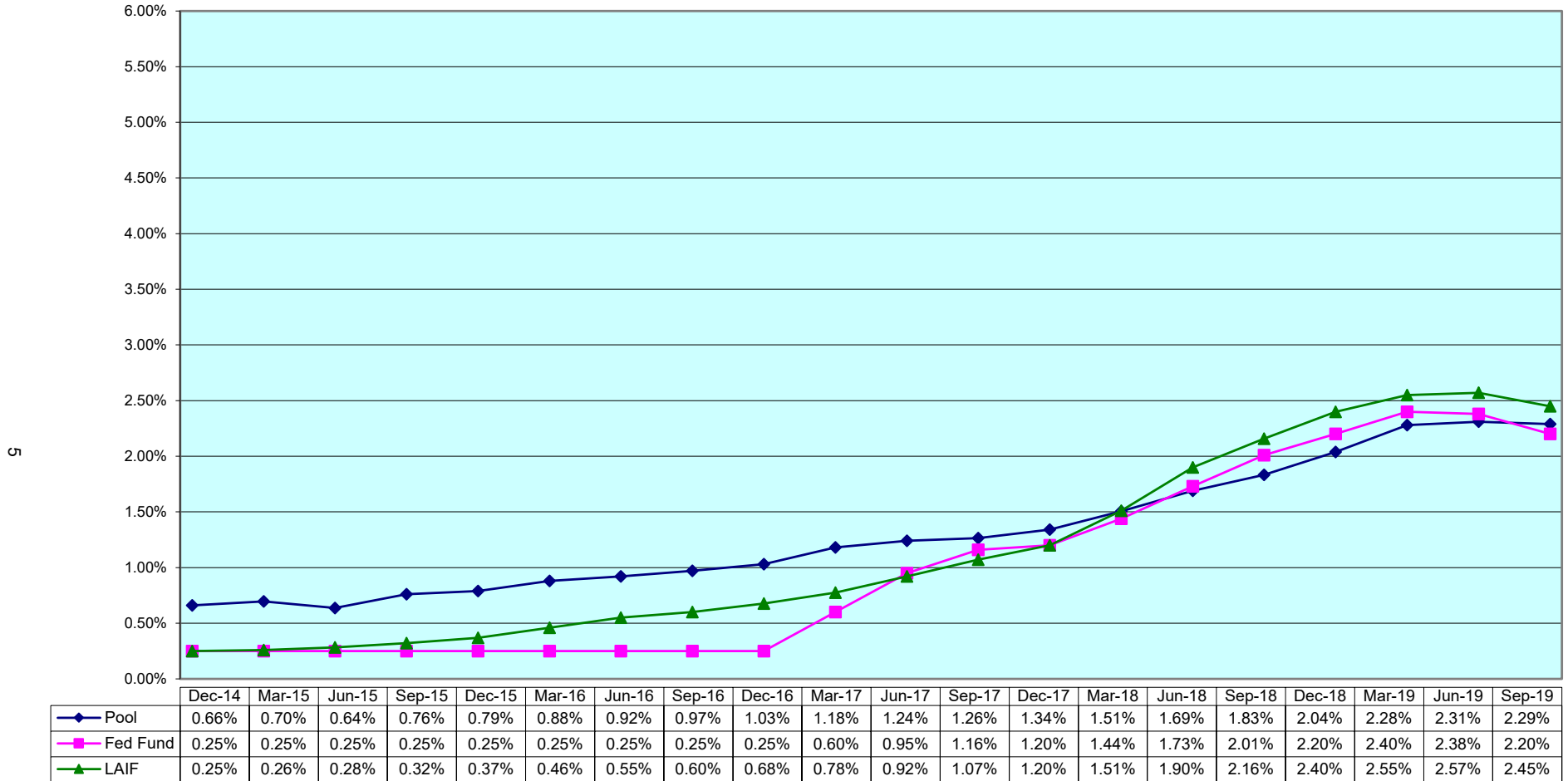


GOVERNMENT POOLS & JPA's
CASH, CHECKS, AND WARRANTS
NEGOTIABLE CERTIFICATES OF DEPOSIT

OTHER GOVERNMENTS
MONEY MARKET MUTUAL FUNDS

TREASURY BILLS AND NOTES
CORPORATE NOTES AND BONDS

SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



*This does not include special TRAN investments & deferred compensation
 Source: County of Sonoma, Office of the Auditor-Controller-Treasurer-Tax Collector

SONOMA COUNTY POOLED INVESTMENTS
AS OF 9/30/2019

BOOK VALUE

CHECKS AND WARRANTS IN TRANSIT	\$724,197
CASH IN VAULT	\$124,561
CASH IN BANK	\$2,234,516
TREASURY BILLS AND NOTES	\$24,999,772
BANKERS ACCEPTANCES	\$0
OTHER GOVERNMENTS	\$1,521,292,433
COMMERCIAL PAPER	\$0
CORPORATE BONDS AND NOTES	\$324,158,328
NEGOTIABLE CERTIFICATES OF DEPOSIT	\$210,000,000
OTHER GOVERNMENT POOLS AND JPA'S	\$0
MONEY MARKET MUTUAL FUNDS	\$104,088,316
TOTAL	\$2,187,622,121

APPENDIX H

FORM OF DELAYED DELIVERY CONTRACT

Raymond James & Associates, Inc.
880 Carillion Parkway
Tower 3, Third Floor
St. Petersburg, Florida. 33716

Re: \$4,385,000.00 Cotati-Rohnert Park Unified School District
2020 General Obligation Refunding Bonds (Forward Delivery) (the "Bonds")

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby agrees to purchase from Raymond James & Associates, Inc. (the "Underwriter"), when, as, and if issued and delivered to the Underwriter by the Cotati-Rohnert Park Unified School District (the "District"), and the Underwriter agrees to sell to the Purchaser:

<u>Par Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP Number</u>	<u>Yield</u>	<u>Price</u>
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of the above-referenced Bonds (the "Purchased Bonds") offered by the District under the Preliminary Official Statement dated October 23, 2019 (the "Preliminary Official Statement") and the Official Statement relating to the Bonds dated May 7, 2020 (the "Official Statement"), receipt and review of copies of which is hereby acknowledged, at the purchase price and with the interest rates, principal amounts, and maturity dates shown above, and on the further terms and conditions set forth in this Delayed Delivery Contract. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Official Statement. The Bonds are being purchased by the Underwriter pursuant to a Forward Delivery Bond Purchase Agreement between the District and the Underwriter (the "Forward Delivery Bond Purchase Agreement").

The Purchaser hereby confirms that it has received and reviewed the Preliminary Official Statement and the Official Statement (including, without limitation, the section entitled "FORWARD DELIVERY OF THE BONDS"), has considered the risks associated with purchasing the Purchased Bonds and is duly authorized to purchase the Purchased Bonds. The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a "forward" basis, and the Purchaser hereby purchases and agrees to accept delivery of the Purchased Bonds from the Underwriter on or about May 7, 2020 (the "Settlement Date"), as they may be issued and delivered in accordance with the Forward Delivery Bond Purchase Agreement.

Payment for the Purchased Bonds on the Settlement Date shall be made to the Underwriter or upon its order on the Settlement Date upon delivery to the Purchaser of the Purchased Bonds through the book-entry system of The Depository Trust Company. The Purchaser agrees that in no event shall the Underwriter be responsible or liable for any claim or loss, whether direct or consequential, which the Purchaser may suffer in the event the District does not for any reason issue and deliver the above-referenced Bonds.

Upon issuance by the District of the Bonds and purchase thereof by the Underwriter, the obligation of the Purchaser to take delivery of the Purchased Bonds hereunder shall be unconditional except in the event that between the date of this Delayed Delivery Contract and the Settlement Date one of the following events shall have occurred:

- (1) there shall have been a Change in Law (defined below);
- (2) as a result of any legislation, regulation, ruling, order, release, court decision or judgment or action by the U.S. Department of the Treasury, the Internal Revenue Service, or any agency of the State either enacted, issued, effective, adopted or proposed (but only with respect to any such proposed legislation, regulation, ruling, order, release, court decision or judgment or action which continues to be proposed as of the Settlement Date), or for any other reason, Bond Counsel cannot issue an opinion substantially in the form attached to the Official Statement as APPENDIX A to the effect that (a) the interest on the Bonds is not subject to federal income tax under Section 103 of the Code (or comparable provisions of any successor federal tax laws), and (b) the interest on the Bonds is exempt from the State of California income taxation;
- (3) the Official Statement as of the date of Closing (as defined in the Forward Delivery Bond Purchase Agreement) (which is expected to occur on or about November 7, 2019), or the Updated Official Statement to be provided by the District pursuant to the terms of the Forward Delivery Bond Purchase Agreement as of the Settlement Date contained or contains an untrue statement or misstatement of material fact or omitted or omits to state a material fact necessary in order to make the statements and information contained therein not misleading in any material respect;
- (4) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities Exchange Commission which, in the reasonable opinion of the Underwriter, following consultation with the District, has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Resolution under the Trust Indenture Act of 1939, as amended, or an event shall occur which would cause the sale of the Bonds to be in violation of any provision of the federal or State of California securities laws;
- (5) a general banking moratorium has been declared by federal, New York or California authorities and it is in effect as of the Settlement Date; or
- (6) as of the Settlement Date, the Bonds are no longer rated investment grade by Moody's Investors Service or Standard & Poor's Global Ratings.

The Underwriter shall notify the Purchaser promptly in the event that the Underwriter becomes aware of the occurrence of any of the events described in clauses (1) through (6) above.

A "Change in Law" means (i) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies; (ii) any legislation enacted by the Congress of the United States (if such enacted legislation has an effective date which is on or before the Settlement Date), (iii) any law, rule or regulation enacted by any governmental body, department or agency (if such enacted law, rule or regulation has an effective date which is on or before the Settlement Date) or (iv) any judgment, ruling or order issued by any court or administrative body, which in any such case would, (A) as to the Underwriter, prohibit the Underwriter from completing the underwriting of the Bonds or selling the Bonds or the beneficial ownership interests therein to the public, or (B) as to the District, would make the completion of the issuance, sale or delivery of the Bonds illegal.

If the Change of Law eliminates the exclusion from gross income for federal income tax purposes of interest payable on “state or local bonds,” the Underwriter would not be obligated to purchase the Bonds from the District, and the Purchaser would not be required to accept delivery of the Purchased Bonds from the Underwriter.

The Purchaser acknowledges and agrees that the Purchased Bonds are being sold on a “forward” or “delayed delivery” basis for delivery on the Settlement Date and that the Purchaser is obligated to take up and pay for the Purchased Bonds on the Settlement Date unless one of the events described above shall have occurred.

The Purchaser acknowledges that it will not be able to withdraw its order as described herein, and will not otherwise be excused from performance of its obligations to take up and pay for the Purchased Bonds on the Settlement Date because of market or credit changes, including specifically, but not limited to (a) except for the rating change described in event number 6 above, changes in the ratings assigned to the Bonds between the date of Closing and the Settlement Date or changes in the credit associated with the Bonds generally, and (b) changes in the financial condition, operations, performance, properties or prospects of the District from the date hereof to the Settlement Date. The Purchaser acknowledges and agrees that it will remain obligated to purchase the Purchased Bonds in accordance with the terms hereof, even if the Purchaser decides to sell the Purchased Bonds following the date hereof, unless the Purchaser sells the Purchased Bonds to another institution with the prior written consent of the Underwriter and such institution provides a written acknowledgment of confirmation of purchase order and a delayed delivery contract in the same respective forms as that executed by the Purchaser.

The Purchaser represents and warrants that, as of the date of this Delayed Delivery Contract, the Purchaser is not prohibited from purchasing the Purchased Bonds hereby agreed to be purchased by it under the laws of the jurisdiction to which the Purchaser is subject. Each of the undersigned parties represents and warrants that it has the power and authority to enter into this Delayed Delivery Contract and to perform its obligations hereunder.

The Purchaser agrees that it will at all times satisfy the minimum initial and maintenance margin requirements of Regulation T of the Board of Governors of the Federal Reserve System, Rule 431 of the New York Governors of the Federal Reserve System, Rule 4210 of the Financial Industry Regulatory Authority and any other margin regulations applicable to the Underwriter.

This Delayed Delivery Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party without the prior written consent of the other.

The Purchaser acknowledges that the Underwriter is entering into Forward Delivery Bond Purchase Agreement with the District to purchase the Bonds in reliance in part on the performance by the Purchaser of its obligations hereunder.

This Delayed Delivery Contract may be executed by either of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

It is understood that the acceptance by the Underwriter of any Delayed Delivery Contract (including this one) is in the Underwriter’s sole discretion and that, without limiting the foregoing, acceptances of such contracts need not be on a first-come, first-served basis. If this Delayed Delivery Contract is acceptable to the Underwriter, it is requested that the Underwriter sign the

form of acceptance below and mail, email or otherwise deliver one of the counterparts hereof to the Purchaser at its address set forth below. This will become a binding contract between the Underwriter, and the Purchaser when such counterpart is so mailed, emailed or otherwise delivered by the Underwriter. This Delayed Delivery Contract does not constitute a customer confirmation pursuant to Rule G-15 of the Municipal Securities Rulemaking Board.

This Delayed Delivery Contract shall be construed and administered under the laws of the State of New York.

[PURCHASER]

By: _____
Name: _____
Title: _____

Address: _____

Telephone: _____

Accepted:

RAYMOND JAMES & ASSOCIATES, INC.

By: _____
Name: _____
Title: _____

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APPENDIX I
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer