

**NEW ISSUE
FULL BOOK-ENTRY**

**RATINGS: S&P (insured): "AA"
S&P (underlying): "A+"
(See "RATINGS.")**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "TAX MATTERS."

\$6,715,000*
ROCKLIN UNIFIED SCHOOL DISTRICT
2019 CERTIFICATES OF PARTICIPATION (CAPITAL PROJECTS)

Dated: Date of Delivery

Due: October 1, as described herein

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Rocklin Unified School District 2019 Certificates of Participation (Capital Projects), in the aggregate principal amount of \$6,715,000* (the "Certificates"), evidence direct, fractional undivided interests of the Owners thereof in certain Base Rental Payments (which include principal components and interest components) to be made by the Rocklin Unified School District (the "District") for the use of certain real property (the "Property") pursuant to a Lease Agreement, dated as of June 1, 2019 (the "Lease Agreement"), by and between the District, as lessee, and the Public Property Financing Corporation of California (the "Corporation"), as lessor. The proceeds of the Certificates, together with other available funds, will be used to (i) finance the construction and expansion of Ruhkala Elementary School to accommodate enrollment growth, (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the Certificates, and (iii) pay the costs incurred in connection with the execution and delivery of the Certificates.

The District has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets, and to make the necessary annual appropriations for all such Rental Payments. The District's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. See "RISK FACTORS – Abatement."

Interest evidenced by the Certificates is payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2019. See "THE CERTIFICATES."

The Certificates will be initially delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry Only System."

The Certificates are subject to prepayment prior to maturity as described herein.* See "THE CERTIFICATES – Prepayment."

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

The scheduled payment of principal and interest evidenced by the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the execution and delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

MATURITY SCHEDULE – See Inside Cover

The Certificates will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District; for the Underwriter by Kutak Rock LLP; for the District by Lozano Smith; and for the Corporation by Parker & Covert LLP. It is anticipated that the Certificates in book-entry form will be available for delivery through the facilities of DTC on or about June 5, 2019.

STIFEL

Dated: _____, 2019

* Preliminary, subject to change.

MATURITY SCHEDULE

\$6,715,000*

ROCKLIN UNIFIED SCHOOL DISTRICT 2019 CERTIFICATES OF PARTICIPATION (CAPITAL PROJECTS)

\$_____ Serial Certificates

Maturity Date (October 1)	Principal Amount	Interest Rate	Yield[†]	CUSIP No.[‡] (_____)
	\$	%	%	

\$_____ % Term Certificates due October 1, 20__ Yield[†] _____% CUSIP No.[‡] _____

* Preliminary, subject to change.

[†] Yields certified by the Underwriter. The District takes no responsibility therefor.

[‡] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter, or their agents or counsel assumes responsibility for the accuracy of such numbers.

ROCKLIN UNIFIED SCHOOL DISTRICT

BOARD OF TRUSTEES

Eric Stevens, *President*
Camille Maben, *Vice President*
Susan Halldin, *Clerk*
Dereck Counter, *Member*
Rick Miller, *Member*

DISTRICT ADMINISTRATION

Roger Stock, *Superintendent*
Barbara Patterson, *Deputy Superintendent, Business and Operations*
Kathleen Pon, Ed.D., *Deputy Superintendent, Educational Services*
Craig Rouse, *Senior Director, Facilities, Maintenance & Operations*

PROFESSIONAL SERVICES

Special Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Municipal Advisor

Capitol Public Finance Group
Roseville, California

Counsel to the District

Lozano Smith
Sacramento, California

Counsel to the Corporation

Parker & Covert LLP
Tustin, California

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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

The Certificates are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

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

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Certificates at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. 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 “CERTIFICATE INSURANCE,” APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” and APPENDIX H – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

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OFFICIAL STATEMENT

\$6,715,000*

ROCKLIN UNIFIED SCHOOL DISTRICT 2019 CERTIFICATES OF PARTICIPATION (CAPITAL PROJECTS)

INTRODUCTION

This Official Statement (which includes the cover page, inside cover page, and Appendices hereto) (this “Official Statement”), provides certain information concerning the sale and delivery of Rocklin Unified School District 2019 Certificates of Participation (Capital Projects), in the aggregate principal amount of \$6,715,000* (the “Certificates”). The Certificates evidence direct, fractional undivided interests of the registered owners (the “Owners”) thereof in certain base rental payments (the “Base Rental Payments”) to be made by the Rocklin Unified School District (the “District”) for the use of certain real property (the “Property”), as more fully described under the caption “THE PROPERTY.” The Property will be leased by the District from the Public Property Financing Corporation of California (the “Corporation”) pursuant to a Lease Agreement, dated as of June 1, 2019 (the “Lease Agreement”), by and between the District and the Corporation.

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

The District

The District was founded in 1866 and unified in 1987 and is located in the southwestern portion of Placer County (the “County”). The District encompasses approximately 19 square miles, including most of the incorporated area of the City of Rocklin (the “City”), small portions of the Town of Loomis and the City of Roseville, and adjacent unincorporated portions within the County. The District operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school and one dependent charter school. Five independent charter schools operate within the District. The District estimates that total current enrollment for fiscal year 2018-19 is approximately 12,012 students. The District operates under the jurisdiction of the Placer County Superintendent of Schools.

The District is governed by a five-member Board of Trustees, each member of which is elected to four-year staggered terms. The daily administration of the Board of Trustees is managed by a Superintendent appointed by the Board of Trustees. Roger Stock currently serves as the Superintendent of the District.

For more complete information concerning the District, including certain financial information, see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION.” The District’s audited financial statements for the fiscal year ended June 30, 2018 are included as Appendix B, and should be read in their entirety.

* Preliminary, subject to change.

Security and Sources of Payment for the Certificates

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2019 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District, and evidence direct, fractional undivided interests in the Base Rental Payments to be made by the District under the Lease Agreement for the use of the Property. See “THE PROPERTY.”

The District will enter into a Ground Lease, dated as of June 1, 2019 (the “Ground Lease”), pursuant to which the District will lease the Property to the Corporation. The Corporation will then sublease the Property back to the District pursuant to the Lease Agreement. The Lease Agreement will obligate the District to make Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, reasonable administrative costs of the Corporation relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Lease Agreement and the Trust Agreement as further described herein). Base Rental Payment and Additional Rental Payments are collectively referred to as “Rental Payments.”

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of June 1, 2019 (the “Assignment Agreement”), pursuant to which the Corporation will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement, provided that the Corporation will retain the right to indemnification under the Lease Agreement.

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Base Rental Payments are subject to complete or partial abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District’s right to use and occupy any portion of the Property. See “RISK FACTORS – Abatement.” Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, could result in all Certificate Owners receiving less than the full amount of principal and interest evidenced by the Certificates. To the extent proceeds of insurance are available or there are amounts available in the Reserve Fund or other funds established under the Trust Agreement (as described below), Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

For more complete and detailed information, see “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.” For a discussion of certain risks associated with the District’s ability to make Base Rental Payments for the Property, see “RISK FACTORS.”

Certificate Insurance Policy

Concurrently with the execution and delivery of the Certificates, Build America Mutual Assurance Company (“BAM” or the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Insurance Policy”) for the Certificates. The Insurance Policy guarantees the scheduled payment of principal and interest evidenced by the Certificates when due as set forth in the form of the Insurance Policy included as Appendix G to this Official Statement.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. 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 “CERTIFICATE INSURANCE,” APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” and APPENDIX H – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

Reserve Fund; Reserve Policy

The Reserve Fund has been established for the benefit of the Certificate Owners. Upon the execution and delivery of the Certificates, a municipal bond debt service reserve insurance policy (the “Reserve Policy”), in an amount equal to the initial Reserve Requirement, issued by Build America Mutual Assurance Company (the “Reserve Insurer”), will be deposited in the Reserve Fund for the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Reserve Fund” and APPENDIX H – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

Purpose of the Certificates

The proceeds of the Certificates, together with other available funds, will be used to (i) finance the construction and expansion of Ruhkala Elementary School to accommodate enrollment growth (the “Project”), (ii) purchase the Reserve Policy, and (iii) pay the costs incurred in connection with the execution and delivery of the Certificates. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Description of the Certificates

The Certificates will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the Beneficial Owners (as defined in the Trust Agreement) of the Certificates. See “THE CERTIFICATES – General” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Interest evidenced by the Certificates is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2019. See “THE CERTIFICATES – General.”

The Certificates are subject to prepayment prior to maturity as described herein. See “THE CERTIFICATES – Prepayment.”

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES,” “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” The summaries and descriptions in this Official Statement of the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Continuing Disclosure Certificate and other agreements relating to the Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in such documents. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the same meanings assigned to such terms as set forth therein. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS.”

Offering and Delivery of the Certificates

The Certificates will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, and the satisfaction of certain other conditions. It is anticipated that the Certificates will be available in book-entry form for delivery through the facilities of DTC on or about June 5, 2019 (the “Delivery Date”).

Certificate Owners’ Risks

Certain events could affect the ability of the District to make the Base Rental Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate, dated June 5, 2019 (the “Continuing Disclosure Certificate”), executed by the District, the District will covenant for the benefit of holders and Beneficial Owners of the Certificates to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than eight months following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2018-19 fiscal year (which is due no later than March 1, 2020) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

In the past five years, the District failed to timely file certain listed or enumerated event notices (including notices of rating changes), failed to file certain financial operating information when required by the terms of its previous undertakings (including its audits), and failed to appropriately link such information to all applicable CUSIP numbers. Within the past five years, the District failed to timely file notice of its failure to file such information. The District has since filed all necessary information to make the District current in its continuing disclosure obligations under the Rule.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

Other Information

This Official Statement is current only as of its date, and the information contained herein is subject to change. Copies of the Ground Lease, the Lease Agreement, the Assignment Agreement, the Trust Agreement and the Continuing Disclosure Certificate are available for inspection at the District and, following delivery of the Certificates, will be on file at the offices of the Trustee in Los Angeles, California.

THE CERTIFICATES

General

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Base Rental Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”). The interest components evidenced by the Certificates will be due and payable semiannually on April 1 and October 1 of each year, commencing October 1, 2019 (each an “Interest Payment Date”).

The interest evidenced by the Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. Each Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after the 15th day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day (a “Record Date”) and on or prior to the following Interest Payment Date, in which case such Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to September 15, 2019, in which case such Certificate shall represent interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, each Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

The Base Rental Payments evidenced by the Certificates will be payable by the District and deposited with the Trustee no later than the 15th day next preceding each Interest Payment Date (each a “Base Rental Deposit Date”). The principal components of the Base Rental Payments will evidence interest components calculated at the rates per annum, all as set forth on the front inside cover page of this Official Statement.

The Certificates will be subject to the Book-Entry System of registration, transfer and payment, and each Certificate will initially be registered in the name of Cede & Co., as nominee of DTC. As part of such Book-Entry System, DTC has been appointed securities depository for the Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Certificates. Rather, in accordance with the Book-Entry System, purchasers of each Certificate will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see “THE CERTIFICATES – Book-Entry Only System.”

While the Certificates are subject to the Book-Entry System, payments of principal and interest with respect to the Certificates will be made by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its DTC Participants for subsequent disbursement to Beneficial Owners of the Certificates as described herein. See “THE CERTIFICATES – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Prepayment*

Optional Prepayment. The Certificates maturing on or before October 1, 2026 are not subject to optional prepayment prior to their respective stated Principal Payment Dates. The Certificates maturing on or after October 1, 2027, are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after October 1, 2026, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from any source of available funds, any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment prior to their stated Principal Payment Dates, on any date, in whole or in part, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation awards in excess of \$50,000 paid with respect to all or a portion of the Property remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the “Net Proceeds”), deposited by the Trustee in the Prepayment Fund pursuant to the Trust Agreement, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Account Prepayment. The Certificates with a stated Principal Payment Date of October 1, 20__ are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on October 1 of the years and in the aggregate principal amounts as set forth in the table shown below, any such Mandatory Sinking Account Payments to be at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium:

* Preliminary, subject to change.

Prepayment Date (October 1)	Principal To Be Prepaid
	\$

†

† Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of October 1, 20__ is prepaid pursuant to the extraordinary prepayment provisions as described herein under the caption “– *Extraordinary Prepayment*,” the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent October 1 shall be reduced by the aggregate principal evidenced by such Certificates so prepaid pursuant to the extraordinary prepayment provisions, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to the extraordinary prepayment provisions, in amounts of Authorized Denominations.

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of October 1, 20__ is prepaid pursuant to the optional prepayment provisions as described herein under the caption “– *Optional Prepayment*,” the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent October 1 shall be reduced by the aggregate principal evidenced such Certificates so prepaid pursuant to the optional prepayment provisions, such reduction to be allocated by the District (as set forth in writing to the Trustee) among prepayment dates in amounts of Authorized Denominations, as designated by the District.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee will select the Certificates to be prepaid (i) with respect to any prepayment as described above under the caption “– *Extraordinary Prepayment*,” among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to the Lease Agreement; and (ii) with respect to any optional prepayment described above under the caption “– *Optional Prepayment*,” as directed in a Written Request of the District, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the District and the Certificate Owners. For purposes of such selection, any Certificate may be prepaid in part in Authorized Denominations.

Notice of Prepayment. The Trustee will mail (by first class mail) notice of any prepayment to the respective Certificate Owners designated for prepayment at their respective addresses appearing on the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement, at least 30 but not more than 60 days prior to the date fixed for prepayment. Such notice will state the date of the notice, the prepayment date, the prepayment place and the prepayment price and will designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and will require that such Certificates be then surrendered at the Principal Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for

prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid will be deemed to have been paid within the meaning of the Trust Agreement, such notice will state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys are not received said notice will be of no force and effect and such Certificates will not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment will not be made and the Trustee will, within a reasonable time after the date on which such prepayment was to occur, give notice to the Certificate Owners and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there will be no prepayment of Certificates pursuant to such notice of prepayment.

While the Certificates are subject to the Book-Entry System, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and as required by the Continuing Disclosure Certificate. DTC and the DTC Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under “Effect of Prepayment.”

Effect of Prepayment. When notice of prepayment has been duly given as provided in the Trust Agreement and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by such Certificates will cease to accrue and such Certificates will cease to be entitled to any benefit or security under the Trust Agreement except for the right of the Owners of such Certificates to receive payment of the prepayment price thereof.

Book-Entry Only System

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 Certificate will be issued for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, and will be deposited with DTC. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Discontinuance of DTC Service. In the event that (a) DTC determines not to continue to act as securities depository for the Certificates or (b) the District determines to remove DTC from its functions as a depository, DTC’s role as securities depository for the Certificates and use of the book-entry system will be discontinued. If the District fails to select a qualified securities depository to replace DTC, the District will cause the Trustee to execute and deliver new Certificates in fully registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Certificates are registered will become the registered Owners of the Certificates for all purposes.

The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

All Certificates are transferable by the Owner thereof, in person or by his or her attorney duly authorized in writing, at the Principal Office of the Trustee on the registration books maintained by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate is overdue, and the Trustee will not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner may request. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to transfer or exchange any Certificate during the period commencing five days before the date of selection of the Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor will the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences a direct, fractional undivided interest in the principal component of the Base Rental Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Base Rental Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its payment date or prepayment date, as the case may be.

The Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The District will pay Base Rental Payments directly to the Trustee, as assignee of the Corporation. See "– Base Rental Payments" below.

Base Rental Payments

For the use and possession of the Property, the Lease Agreement requires the District to make Base Rental Payments. The Base Rental Payments evidenced by the Certificates will be payable no later than the Base Rental Deposit Date. To secure the payment of the Base Rental Payments, the District is required to pay to the Trustee, for deposit into the Base Rental Payment Fund, on the Base Rental Deposit Date, an amount sufficient to pay the Base Rental Payment then due.

Pursuant to the Trust Agreement, the Trustee will on each Interest Payment Date, deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee will withdraw from the Interest Fund, for payment to the Certificate Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

Pursuant to the Trust Agreement, the Trustee will on each Principal Payment Date, deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date. On each Principal Payment Date, the Trustee will withdraw from the Principal Fund, for payment to the Certificate Owners, the principal evidenced by the Certificates due and payable on such Principal Payment Date.

THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

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Base Rental Payments Schedule

The Lease Agreement requires that Base Rental Payments be made on or before each Base Rental Deposit Date, assuming no early prepayment by the District, which is 15 days prior to each of the following Interest Payment Dates:

<u>Interest Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Base Rental Payment</u>
----------------------------------	--------------------------------	-------------------------------	--------------------------------------

Total:	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

Additional Rental Payments

The Lease Agreement requires the District to pay, as Additional Rental Payments thereunder in addition to the Base Rental Payments, such amounts as shall be required for the payment of all taxes, assessments of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District in the Property, all reasonable administrative costs of the Corporation relating to the Property, the Certificates or the Trust Agreement, including without limitation all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, insurance premiums payable under the Lease Agreement, any amounts with respect to the Lease Agreement or the Certificates required to be rebated to the federal government, and all other payments not constituting Base Rental Payments required to be paid by the District under the Lease Agreement or the Trust Agreement.

Covenant to Appropriate Funds

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Abatement

Base Rental Payments are paid by the District in each Rental Period for the District's right to use and occupy the Property for such Rental Period. The obligation of the District to pay Rental Payments will be abated during any period in which by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. The Rental Payments shall be abated proportionately. The District and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and to the extent necessary to pay extended and unpaid Rental Payments, the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended more than 10 years beyond the Scheduled Termination Date; provided, however, that during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments will not be abated as provided above but, instead, will be payable by the District as a special obligation payable solely from said funds and accounts. For information regarding rental interruption insurance, see "– Insurance" below.

Abatement of Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Property, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Rental Payments – Rental Abatement."

Reserve Fund

A reserve fund (the “Reserve Fund”) is established by the Trust Agreement and is required to be funded in an amount equal to, as of the date of calculation, the least of (a) the maximum amount of Base Rental Payments coming due in any Certificate Year, (b) 10% of the original aggregate principal amount of the Certificates, and (c) 125% of the average amount of remaining Base Rental Payments coming due in each Certificate Year (the “Reserve Requirement”). “Certificate Year” means each twelve-month period beginning on October 1 in each year and extending to the next succeeding September 30, both dates inclusive, except that the first Certificate Year shall begin on the Delivery Date and end on September 30, 2019. Upon the execution and delivery of the Certificates, the Reserve Policy in the stated amount of \$486,500*, an amount equal to the initial Reserve Requirement, issued by the Reserve Insurer will be deposited in the Reserve Fund for the Certificates. The Reserve Fund is required to be maintained until all Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Amounts available in the Reserve Fund are to be used to make delinquent Base Rental Payments to the extent that the moneys available in the Interest Fund and Principal Fund do not equal the amount of the principal and interest evidenced by the Certificates then coming due. In addition, moneys, if any, on deposit in the Reserve Fund will be withdrawn and applied by the Trustee for the final Base Rental Payment.

The District may substitute a line of credit, letter of credit, insurance policy, surety bond or other credit source (each, a “Reserve Facility”) for all or a part of the Reserve Policy or Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee shall have received the written consent of the Insurer (so long as the Insurer is not in default on its payment obligations under the Insurance Policy).

If at any time the balance in the Reserve Fund is reduced below the Reserve Requirement, the first Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the interest or principal evidenced by Certificates payable to the Owners on the next Interest Payment Date or Principal Payment Date will be used to increase the balance in the Reserve Fund to the Reserve Requirement.

Insurance

The Lease Agreement requires the District to cause to be maintained casualty insurance insuring the Property against fire and all other risks covered by an extended coverage endorsement (excluding earthquake and flood), subject to a \$100,000 loss deductible provision (unless some other deductible is acceptable to the Insurer), in an amount equal to the full insurable value of the Property. The full insurable value of the Property will not be less than the principal evidenced by the outstanding Certificates.

The casualty insurance required by the Lease Agreement may be maintained in the form of self-insurance by the District, in compliance with the terms of the Lease Agreement.

The Lease Agreement requires the District to cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation’s loss, total or partial, of Base

* Preliminary, subject to change.

Rental Payments caused by perils covered by the casualty insurance described above, in an amount equal to the lesser of (i) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period or (ii) such lesser amount as may be agreed to by the Insurer. The District may not self-insure for rental interruption insurance.

The District is also required to obtain certain public liability and property damage insurance coverage in protection of the Corporation and the District and worker's compensation insurance as described under APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Insurance – Property Casualty Insurance; Rental Interruption Insurance."

The District is required under the Lease Agreement to obtain title insurance on the Property, in the aggregate amount of not less than the initial aggregate amount of principal evidenced by the Certificates, subject only to Permitted Encumbrances, as defined in the Lease Agreement.

Action on Default

Should the District default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Assignment Agreement, has the option to (subject to the restrictions described below) terminate the Lease Agreement. In the event of such termination, the District agrees to immediately surrender possession of the Property, without let or hindrance, and to pay to the Trustee, as assignee of the Corporation, all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement.

Without terminating the Lease Agreement, the Trustee shall be permitted (a) to collect each installment of Base Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the District, regardless of whether the District has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for therein, the District remains liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Base Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or Base Rental Payment deficiency punctually at the same time and in the same manner as provided for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. See "RISK FACTORS."

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Lease Agreement. For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Defaults and Remedies" and " – THE TRUST AGREEMENT – Default and Limitations of Liability – Action on Default."

CERTIFICATE INSURANCE

Bond Insurance Policy

Concurrently with the execution and delivery of the Certificates, BAM will issue its Insurance Policy for the Certificates. The Insurance Policy guarantees the scheduled payment of principal and interest evidenced by the Certificates when due as set forth in the form of the Insurance Policy included as Appendix G to this Official Statement.

The Insurance 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/Stable" 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 Certificates, 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 Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates 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 Insurance Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM. BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 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 Certificates or the advisability of investing in the Certificates. 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 "CERTIFICATE INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Additional Information Available from BAM.

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/creditinsights/. (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 or the underwriter for the Certificates, 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 Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

THE PROPERTY

General

The Property consists of Rock Creek Elementary School (the “Property”). The Property is owned by the District. The Property consists of the real property on which Rock Creek Elementary School is located in the City of Rocklin, California and the improvements thereon. Rock Creek Elementary School currently serves approximately 619 students in grades TK through six during the 2018-19 school year. Originally opened in the 2002, Rock Creek Elementary School contains approximately 57,546 square feet of building space on an approximately 8 acre site, including 32 total classrooms. The site includes a library and administrative offices, a multipurpose room, 29 permanent classroom buildings, and three portable classroom buildings. The Rock Creek Elementary School has two parking lots with 83 parking spots (which excludes the value of the land). The insurance provisions of the Lease Agreement provide that the full insurable value of the Property will not be less than the principal evidenced by the outstanding Certificates.

Substitution or Release

The Lease Agreement provides that, upon the consent of the Insurer and compliance with the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Any such substitution or release of any portion of the Property shall be subject to certain specific conditions set forth in the Lease Agreement, among which are that an independent certified real estate appraiser selected by the District shall have found that the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 100% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether, so long as, among other things, the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 100% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. See “RISK FACTORS – Substitution or Release of Property” and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property.”

PLAN OF FINANCE

The Project consists of the financing of the construction and expansion of Ruhkala Elementary School to accommodate enrollment growth.

Remaining proceeds of the Certificates will be used to purchase the Reserve Policy and to pay the costs incurred in connection with the execution and delivery of the Certificates. See “ESTIMATED SOURCES AND USES OF FUNDS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates and other available funds are shown below.

SOURCES

Principal Amount of Certificates	
[Net] Original Issue Premium	_____
Total Sources	=====

USES

Deposit to Acquisition Fund	
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	_____
Total Uses	=====

⁽¹⁾ Includes legal, Municipal Advisor, rating agency, printing, Insurance Policy and Reserve Policy premiums and fees, and other fees and miscellaneous costs of issuance.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations and Other Obligations

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Base Rental Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The District is currently liable and may become liable on other obligations payable from its general revenues, some of which may have a priority over the Base Rental Payments. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure."

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Base Rental Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement.

Abatement

In the event of substantial interference with the District's right to use and occupy any portion of the Property by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement." The Rental Payments shall be abated proportionately. In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement (including proceeds of the Insurance Policy), or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Certificate Owners in full.

Absence of Earthquake and Flood Insurance

The District is not required under the Lease Agreement to maintain earthquake or flood insurance on the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance." The District does not currently insure against the risks of earthquake or flood with respect to the Property and does not anticipate obtaining such insurance in the future. See "– Seismic Factors" below.

Limited Recourse on Default

If the District defaults on its obligations to make Base Rental Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the District liable for all Base Rental Payments on an annual basis and will have the right to reenter and relet the Property. In the event such reletting occurs, the District would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may (subject to the restrictions described below) terminate the Lease Agreement with respect to the Property and proceed against the District to recover damages pursuant to the Lease Agreement.

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Lease Agreement.

Due to the specialized nature of the Property, no assurance can be given that the Trustee will be able to relet any portion of the Property so as to provide rental income sufficient to make payments of principal and interest evidenced by the Certificates in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and reletting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such reletting will not adversely affect the exclusion of any interest component of Base Rental Payments evidenced by the Certificates from federal or state income taxation.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Base Rental Payments due over the term of the Lease Agreement. The District will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Base Rental Payments.

Substitution or Release of Property

The Lease Agreement provides that, upon the consent of the Insurer and satisfaction of the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property.”

Bankruptcy

Generally. In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The obligations of the Insurer under the Insurance Policy are contractual obligations and in an event of default by the Insurer, the rights and remedies available may be limited by and subject to provisions of federal insolvency laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. Should the Insurer encounter financial difficulties, there could be adverse effects on the Owners of the Certificates. The applicable regulators can order an insurance company to stop paying claims, or to pay claims only with the permission of the regulators, even before the insurance company becomes the subject of a formal insolvency proceeding. An insolvent financial guaranty insurer may be able to retain its rights to control remedies and direct the Trustee, and its rights to consent to amendments of the documents, even though it is insolvent or not paying claims as required by the financial guaranty policy. An insolvent financial guaranty insurer may also be able to require the District to reimburse the Insurer before paying amounts due on the Certificates or other securities, regardless of what the documents provide. There may be other possible effects of the financial distress of the Insurer that could result in delays or reductions in payments on the Certificates, or result in losses to the Owners of the Certificates. Regardless of any specific adverse determinations, the fact of the financial distress of the Insurer could have an adverse effect on the liquidity and value of the Certificates.

Bankruptcy of District. The District may be eligible to become a debtor in a Chapter 9 bankruptcy case. If the District were to go into bankruptcy, it may be able to reject the Ground Lease or the Lease Agreement or assume the Ground Lease or the Lease Agreement, despite any provision of the Ground Lease or the Lease Agreement that makes the bankruptcy or insolvency of the District an event of default thereunder.

If the District rejects the Lease Agreement, the District's obligation to pay Base Rental Payments and Additional Rental Payments will terminate. The Trustee on behalf of the Owners of the Certificates will have a claim for damages in the bankruptcy case, but this claim for damages may be significantly

limited. While the Corporation may be able to recover possession of the Property and re-let it, no assurance can be given that the new lease will provide for the same level of payments as the Lease Agreement. The Owners of the Certificates could suffer substantial losses.

If the District rejects the Ground Lease, the rights of the Trustee and the Owners of the Certificates to receive Base Rental Payments and Additional Rental Payments may terminate, even if the District remains in possession of the Property. While the Trustee on behalf of the Owners of the Certificates may have a claim in the District's bankruptcy, this claim for damages may be significantly limited, and the Owners of the Certificates could suffer substantial losses.

If the District assumes the Lease Agreement, it may be able to assign it to a third party, notwithstanding the provisions of the transaction documents, and thereby replace the obligation of the District to pay Base Rental Payments and Additional Payments with the obligation of the third party assignee to make such payments. While there must be adequate assurances of the future performance of the assignee, that determination is made by the bankruptcy court, not the Trustee or the Owners of the Certificates, and the determination may turn out to have been wrong. There may be adverse tax consequences of such an assignment.

The District may be able to obtain authorization from the bankruptcy court to sell the Property to a third party, free and clear of the Ground Lease, the Lease Agreement, and the rights of the Trustee and the Owners of the Certificates. Under such circumstances, the Owners of the Certificates may suffer substantial losses.

The Trustee and the Owners of the Certificates would be prohibited from taking any action to enforce any of their rights or remedies against the District or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners of the Certificates from funds in the possession of the Trustee.

Actions could be taken in a bankruptcy of the District that could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the District that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates.

Regardless of any specific adverse determinations in a bankruptcy case of the District, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

Bankruptcy of Corporation. The Corporation is not a special-purpose bankruptcy-remote entity, and could become a debtor in a bankruptcy case. The District and the Corporation intend the assignment to the Trustee of all of Corporation's right, title, and interest to receive the Base Rental Payments and Additional Rental Payments to be an absolute sale and not the grant of a security interest in such property to secure a borrowing of the Corporation. Nonetheless, if the Corporation were to become a debtor in a bankruptcy case, and a party in interest (including the Corporation itself) was to take the position that the transfer of the Base Rental Payments and Additional Rental Payments to the Trustee should be recharacterized as the grant of a security interest in such property, then delays in payments on the Certificates could result. If a court were to adopt such position, then delays or reductions in payments evidenced by the Certificates, or other losses to the Owners of the Certificates, could result.

Because the Corporation is not assigning all its rights under the Ground Lease and the Lease Agreement to the Trustee, if the Corporation goes into bankruptcy, the Corporation may be able to obtain authorization from the bankruptcy court to sell to a third party all rights under the Ground Lease and the

Lease Agreement, including the Base Rental Payments and Additional Rental Payments, free and clear of rights of the Trustee and the Owners of the Certificates. While the Trustee (and thus the Owners of the Certificates) should be entitled to receive the value of the Base Rental Payments and Additional Rental Payments as determined by the bankruptcy court, the bankruptcy court's valuation may be substantially different than the value placed on such payments by the Owners of the Certificates, and the Owners of the Certificates may suffer a loss.

Similarly, because the Corporation is not assigning all its rights under the Ground Lease and the Lease Agreement, it may be able to reject the Ground Lease and the Lease Agreement despite any provision of the Ground Lease or the Lease Agreement which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. If the Corporation rejects the Ground Lease or the Lease Agreement, the rights of the Trustee and the Owners of the Certificates to receive Base Rental Payments and Additional Rental Payments may be terminated. Under such circumstances, the Owners of the Certificates could suffer substantial losses, and any claim for damages may be significantly limited. In addition, the Corporation may be able to sell or assign its leasehold estate in the Property, notwithstanding the provisions of the transaction documents. It is possible that such a sale or assignment would result in the termination of the Lease Agreement. If the Lease Agreement does terminate, the District's obligation to pay Base Rental Payments and Additional Rental Payments would terminate. Under such circumstances, the Owners of the Certificates could suffer substantial losses.

The Trustee and the Owners of the Certificates would be prohibited from taking any action to enforce any of their rights or remedies against the Corporation or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners of the Certificates from funds in the possession of the Trustee. In addition, the provisions of the transaction documents that require the District to make payments directly to the Trustee, rather than to the Corporation, may no longer be enforceable, and all payments may be required to be made to the Corporation.

Actions could be taken in a bankruptcy case of the Corporation which could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the Corporation that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates.

Regardless of any specific adverse determinations in a bankruptcy case of the Corporation, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement, as well as certain other matters, could result in the interest evidenced by the Certificates being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the provisions contained in the Trust Agreement.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA"

or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The District is unaware of the existence of hazardous substances on the Property sites which would materially interfere with the beneficial use thereof.

Seismic Factors

The District and the Property, like most regions in the State, are located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. Seismic hazards encompass both potential surface rupture and ground shaking. The occurrence of severe seismic activity in the area of the District could result in substantial damage and interference with the District’s right to use and occupy all or a portion of the Property, which could result in the Base Rental Payments being subject to abatement. See “– Abatement” above. The District is not required by the Lease Agreement or otherwise to obtain or maintain earthquake insurance for the Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.”

All building components of the Property were constructed under the standards of the “Field Act” (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding forces from the “most credible” earthquake likely to occur in the vicinity of the building system being constructed.

Economic Conditions in California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because much of the District’s revenues derive from payments from the State, the District’s revenues can vary significantly from year to year, even in the absence of significant education policy changes. Decreases in the State’s general fund revenues may significantly affect appropriations made by the State to school districts, including the District. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with

respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

THE CORPORATION

The Corporation was incorporated on April 18, 1991, as a California nonprofit public benefit corporation. The Corporation was formed for the primary purpose of benefiting California governmental agencies, including, but not limited to public school district, by participating with such governmental agencies in projects to maintain, improve and assist in the activities of such governmental agencies by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, as well as assisting the governmental agencies in financing, acquiring and constructing such projects. The Corporation may do any and all things necessary to carry out such purposes but shall not engage in activities which do not further such purposes and shall not support or benefit any organization other than said governmental agencies. The Corporation is not obligated in any manner whatsoever to make Base Rental Payments.

The Corporation's articles of incorporation and by-laws empower the Corporation to act as lessee under the Ground Lease and lessor under the Lease Agreement.

DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION

Introduction

The District was founded in 1866 and unified in 1987 and is located in the southwestern portion of Placer County (the "County"). The District encompasses approximately 19 square miles, including most of the incorporated area of the City of Rocklin, small portions of the Town of Loomis and the City of Roseville, and adjacent unincorporated portions within the County. The District operates eleven elementary schools, two middle schools, two comprehensive high schools, one continuation high school and one dependent charter school. Five independent charter schools operate within the District. The District estimates that total current enrollment for fiscal year 2018-19 is approximately 12,012 students. The District operates under the jurisdiction of the Placer County Superintendent of Schools.

Board of Trustees

The governing board of the District is the Board of Trustees of the Rocklin Unified School District (the "Board"). The Board consists of five members who are elected by geographic area to overlapping four-year terms at elections held every two years. Each December, the Board elects a President, Vice President and a Clerk to serve one-year terms. Current members of the Board, together with their office and the date their current term expires, are listed below.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Board of Trustees

Name	Office	Term Expires
Eric Stevens	President	November 2020
Camille Maben	Vice President	November 2020
Susan Halldin	Clerk	November 2022
Dereck Counter	Member	November 2022
Rick Miller	Member	November 2022

Superintendent and Financial and Fiscal Administrative Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators.

Roger Stock, Superintendent. Mr. Stock began his career in public education as a teacher in the Elk Grove Unified School District in 1994, and then served in the positions of vice principal, principal and director. He then served as the Chief Academic Officer for San Juan Unified School District. In July 2013, Mr. Stock was appointed the Superintendent of the District. Mr. Stock received a Bachelor of Arts Degree in Political Science and Government from the University of California, Davis. In addition, he has a Master of Arts Degree in Educational Leadership and Administration from National University.

Barbara Patterson, Deputy Superintendent, Business and Operations. Mrs. Patterson began her career in public education as a Director of Fiscal Services in the Fairfield-Suisun Unified School District in 1996 and became that district's Interim Assistant Superintendent, Business Services, in 2000 and Chief Fiscal Officer in 2001. In 2002, she became the Associate Superintendent of Business at Rocklin Unified School District. In 2014, she became Deputy Superintendent, Business and Operations, for the District. Mrs. Patterson received her Bachelor of Science Degree in Business Administration, emphasis in Accounting from California State University, Chico. She is a certified public accountant and had nine years of public accounting experience prior to entering public education.

Kathleen Pon, Ed.D., Deputy Superintendent, Educational Services. Dr. Pon started her public education career in 1988 as a principal at Newman Crows Landing School District, and subsequently served as an Assistant Principal of that school district. She then served as Director of Student Services and then Assistant Superintendent at Patterson Joint Unified School District. She then served as Assistant Superintendent, Instructional Services, of the Merced County Office of Education. Dr. Pon has served as Deputy Superintendent, Educational Services, of the District since November 2015. Dr. Pon received her Bachelor of Science degree and multiple subject credential from University of California, Davis. She received her Master's degree in Education from California State University, Sacramento, and a California Professional Administrative Services Credential in Educational Leadership from California State University, Fresno. Dr. Pon received her Doctor of Education degree from California State University, Stanislaus.

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" below) and a local portion derived from the District's share of the 1% local *ad valorem*

tax authorized by the State Constitution (see “– Local Sources of Education Funding” below). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. For fiscal year 2018-19, the District has projected to receive approximately \$75.0 million or approximately 60.1% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* tax). Such amount includes both the State funding provided under the LCFF as well as other State revenues (see “– Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF” and “– Other District Revenues – Other State Revenues” below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District’s revenues and operations, and, consequently, the District’s ability to pay Base Rental Payments.

Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State’s general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the funding formula for school finance system called the Local Control Funding Formula (the “Local Control Funding Formula” or “LCFF”). Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “– Allocation of State Funding to School Districts; Local Control Funding Formula” below for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2018-19 State budget on June 27, 2018.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow

earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent of Public Instruction (the "State Superintendent") and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the final Principal Payment Date of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition,

various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the “2018-19 State Budget”) on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately \$133.33 billion in revenues, and \$83.82 billion in non-Proposition 98 expenditures and \$54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a \$1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately \$1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of \$97.2 billion (\$56.1 billion General Fund and \$41.1 billion other funds) for all K-12 education programs. The 2018-19 State Budget provides \$3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides \$300 million one-time Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State’s academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes \$57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which \$4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.
- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes \$15 million one-time Proposition 98 General Fund resources to expand the State’s MTSS framework to foster positive school climate in both academic and behavioral areas.
- Community Engagement Initiative. The 2018-19 State Budget includes \$13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the LCAP process.
- California Collaborative for Educational Excellence. The 2018-19 State Budget includes \$11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.
- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes \$10 million Proposition 98 General Fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.
- Strong Workforce Program. The 2018-19 State Budget includes \$164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the

Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes \$150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.
- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing \$167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the “Proposed 2019-20 State Budget”) on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately \$149.3 billion (including a prior year balance of approximately \$12.4 billion) and total expenditures in fiscal year 2018-19 totaled approximately \$144.1 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately \$147.9 billion, inclusive of revenues and transfers of approximately \$142.6 billion and a prior year balance of \$5.2 billion. The Proposed 2019-20 State Budget projects total expenditures of \$144.2 billion, inclusive of non-Proposition 98 expenditures of approximately \$88.9 billion and Proposition 98 expenditures of approximately \$55.3 billion. The Proposed 2019-20 State Budget proposes to allocate approximately \$1.4 billion of the general fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$2.3 billion of such fund balance to the State’s Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of \$15.3 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of \$2 billion in Proposition 98 general fund resources for the LCFF.
- CalSTRS Pension Costs. The Proposed 2019-20 State Budget includes a \$3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRS to reduce long-term liabilities for local educational agencies and community colleges, of which \$700 million will go towards buying down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion will be allocated to the employers’ long-term unfunded liability.
- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of \$20.2 million of Proposition 98 general fund resources for county offices of education to

provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.

- Special Education. The Proposed 2019-20 State Budget includes \$576 million of Proposition 98 general fund resources, of which \$186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.
- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of \$750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.
- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of \$10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of State investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.
- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.
- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of \$388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of \$187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.
- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of \$283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of \$1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes
- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of \$187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of \$119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are \$597.0 million and \$482.2 million, respectively.

- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of \$26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.
- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of \$9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.
- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of \$50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

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

LAO Overview of Proposed 2019-20 State Budget. The Legislative Analyst’s Office (“LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2019-20 State Budget entitled “The 2019-20 Budget: Overview of the Governor’s Budget” on January 14, 2019 (the “2019-20 Proposed Budget Overview”). In the 2019-20 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2019-20 State Budget in light of uncertainties such as market volatility, rising costs and risk of recession. The LAO also highlights key features of the Proposed 2019-20 State Budget, which include prioritizing debt repayments and one-time programmatic spending and the early introduction of new policy goals.

The LAO notes that the Proposed 2019-20 State Budget is in a positive position, based in large part on the availability of significant discretionary resources in the amount of \$20.6 billion. The LAO explains that this is due to the administration’s higher revenue assumptions and lower-than-expected spending in health and human services programs. The LAO anticipates that capital gains revenues will likely be lower than the Proposed 2019-20 State Budget assumes due to the recent volatility of the financial market, including the sharp decline in stock prices at the end of 2018. However, the LAO suggests that any losses in capital gains revenues would likely be off-set by lower constitutionally required spending and reserve deposits. As a result, the LAO explains that under current conditions, the net effect on discretionary resources would be less than the full revenue decline. Although the LAO maintains a positive outlook on the Proposed 2019-20 State Budget, the LAO recognizes that the current financial market and economic conditions can change significantly and affect revenues in the May Revision of the Proposed 2019-20 State Budget.

The LAO summarizes that the Proposed 2019-20 State Budget allocates \$20.6 billion in discretionary resources among a variety of priorities, including \$9.7 billion for reducing debts and liabilities on a one-time basis, \$5.1 billion for programmatic spending on a one-time basis, \$2.7 billion for ongoing spending and \$3 billion for reserves. The LAO points out that the Proposed 2019-20 State Budget uses a significant portion of discretionary resources for debt repayment and prioritizes one-time spending for programmatic expansions. The LAO finds this allocation prudent even though the Proposed 2019-20 State Budget apportions a smaller share of resources for reserves than recent budgets. The LAO explains that this approach benefits the budget in future years and in some cases reduces ongoing spending growth.

The LAO notes that the Proposed 2019-20 State Budget apportions \$2.7 billion for ongoing spending, which will reach an estimated \$3.5 billion under full implementation as costs grow over time. The LAO explains that these expenditure levels are in line with estimates of available ongoing resources. However, the LAO cautions that these costs could grow due to various uncertainties not captured in the spending proposals, such as increased costs for CalWORKs grants in case of recession and costs for disaster mitigation, response and recovery. The LAO further notes that while the Proposed 2019-20 State Budget includes mostly one-time spending for these purposes, they are more likely to be ongoing costs.

The LAO explains that the Proposed 2019-20 State Budget establishes a number of policy goals, including developing a plan for implementing universal preschool, negotiating existing state prescription drug prices and reviewing related negotiation and procurement practices, and expanding paid family leave. The LAO notes that these proposals are still in the process of development and, therefore, are not reflected in the administration's budget bottom line. The LAO finds that by proposing these policy goals at the beginning of the budget process, the Governor gives the State Legislature the opportunity to collaborate with the administration to shape these policies.

The 2019-20 Proposed Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

May Revision to the 2019-20 Proposed State Budget. The Governor released the May Revision to the proposed fiscal year 2019-20 State budget (the "2019-20 May Revision") on May 9, 2019. The 2019-20 May Revision proposes a balanced budget for fiscal year 2019-20. The 2019-20 May Revision projects an increase of \$3.2 billion in short-term general fund revenues as compared to the Proposed 2019-20 State Budget. However, most of the increased revenues are constitutionally obligated to reserves, debt repayments and schools. Therefore, the budget surplus remains relatively unchanged. The 2019-20 May Revision estimates that total resources available in fiscal year 2018-19 will be approximately \$149.5 billion (including revenues and transfers of approximately \$138.1 billion and a prior year balance of \$11.4 billion) and total expenditures in fiscal year 2018-19 will be approximately \$143.2 billion. The 2019-20 May Revision projects total resources available for fiscal year 2019-20 of approximately \$150.1 billion, inclusive of revenues and transfers of approximately \$143.8 billion and a prior year balance of approximately \$6.2 billion. The 2019-20 May Revision projects total expenditures of approximately \$147.0 billion, inclusive of non-Proposition 98 expenditures of \$91.1 billion and Proposition 98 expenditures of \$55.9 billion. The 2019-20 May Revision proposes to allocate approximately \$1.4 billion of the State general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and approximately \$1.7 billion of such fund balance to the State's special fund for economic uncertainties. In addition, the 2019-20 May Revision estimates that the State's Proposition 2 rainy day fund (the "Rainy Day Fund") will have a fund balance of approximately \$16.5 billion.

The 2019-20 May Revision assumes slow economic expansion and a balanced budget through fiscal year 2019-20, although its forecasts are limited by growing uncertainty related to the global political and economic climate, federal policies, rising costs and the duration of the current economic expansion. The 2019-20 May Revision projects that the Rainy Day Fund will reach its maximum of 10% of general fund revenues in fiscal year 2020-21. By the end of fiscal year 2022-23, the 2019-20 May Revision projects that the Rainy Day Fund balance will have a balance of \$18.7 billion.

The 2019-20 May Revision includes total funding of \$101.8 billion for all K-12 education programs, including \$58.9 billion from the general fund and \$42.9 billion from other funds.

Certain adjustments and budgetary proposals for K-12 education set forth in the 2019-20 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2019-20 May Revision projects increased Proposition 98 funding by \$78.4 million in fiscal year 2017-18, \$278.8 million in fiscal year 2018-19 and \$389.3 million in fiscal year 2019-20, due to an increase in general fund revenues, an increase in the minimum guarantee funding level in fiscal year 2017-18 and a slightly slower decline in A.D.A. than projected in the Proposed 2019-20 State Budget.
- Public School System Stabilization Account. For the first time, the 2019-20 May Revision projects that a deposit is required to the Public School System Stabilization Account in the amount of \$389.3 million in Proposition 98 resources.
- Special Education. The 2019-20 May Revision proposes to allocate \$696.2 million in ongoing Proposition 98 general fund resources to special education, \$119.2 million more than set forth in the Proposed 2019-20 State Budget, to increase coordination between local general education and special education programs, and for program governance and accountability for special education student outcomes.
- Retaining Well-Prepared Educators. The 2019-20 May Revision includes \$89.8 million in one-time non-Proposition 98 general fund resources for loan repayments of newly credentialed teachers to work in high-need schools. The 2019-20 May Revision also includes \$44.8 million in one-time non-Proposition 98 general fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, and \$13.9 million in ongoing federal funds for professional learning opportunities for public school administrators supporting diverse student populations in State public schools.
- Access to Computer Science Education. The 2019-20 May Revision includes \$15 million in one-time Proposition 98 general fund resources for broadband infrastructure and \$1 million in one-time non-Proposition 98 general fund resources for the State Board of Education to establish a State Computer Science Coordinator.
- CalSTRS Employer Contribution Rate. The 2019-20 May Revision includes \$150 million in one-time non-Proposition 98 general fund resources to reduce the employer contribution rate to 16.7% in fiscal year 2019-20.
- Local Control Funding Formula Adjustments. The 2019-20 May Revision proposes an increase of \$70 million in Proposition 98 general fund resources in fiscal year 2018-19 and a decrease of \$63.9 million in Proposition 98 general fund resources in fiscal year 2019-20 for school districts, charter schools and county offices of education to reflect changes in A.D.A. and cost-of-living in fiscal year 2019-20 that affect the LCFF calculation.
- Classified School Employees Summer Assistance Program. The 2019-20 May Revision includes an increase of \$36 million in one-time Proposition 98 general fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.
- Local Property Tax Adjustments. The 2019-20 May Revision proposes an increase of \$146.6 million of Proposition 98 general fund resources in fiscal year 2018-19 and \$142.1 million in fiscal

year 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in these years.

- **Wildfire-Related Cost Adjustments.** The 2019-20 May Revision proposes an increase of \$2 million in one-time Proposition 98 general fund resources to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires in 2017 and 2018. The 2019-20 May Revision also proposes an increase of \$727,000 in one-time Proposition 98 general fund resources to reflect adjustments to the State's student nutrition programs resulting from wildfire-related losses.
- **Categorical Program Cost-of-Living Adjustments.** The 2019-20 May Revision proposes to decrease the Proposition 98 general fund by \$7.4 million for selected categorical programs during fiscal year 2019-20. Such decrease reflects a change in the cost-of-living set forth in the Proposed 2019-20 State Budget of 3.46% to 3.26% in the 2019-20 May Revision.
- **Categorical Program Growth.** The 2019-20 May Revision proposes to increase the Proposition 98 general fund by \$7.6 million for selected categorical programs, based on updated estimates of A.D.A. growth.

The complete 2019-20 May Revision is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2019-20 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2019-20 State budget from the Proposed 2019-20 State Budget or the 2019-20 May Revision. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2018-19 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – *Assembly Bill No. 26 & California Redevelopment Association v. Matosantos*"). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under Section 42238 *et seq.* of the California Education Code, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF originally had an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. In fiscal year 2018-19, the LCFF was fully funded ahead of the eight year implementation schedule. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,459 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,796 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$9,034 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.
- A 20% Supplemental Grant for the unduplicated number of English language 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 LEA’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs received the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan (“LCAP”). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district’s budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district’s LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education agencies in

achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent would have authority to make changes to a local education agency's LCAP.

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Attendance and LCFF. The following table sets forth the District’s actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19. The A.D.A. and enrollment numbers reflected in the following table include special education students and students attending education facilities operated by the County, but exclude adult education and charter schools, including the Rocklin Independent Charter Academy.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2018-19

Fiscal Year		A.D.A./Base Grant					Enrollment ⁽⁹⁾	
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percent of EL/LI Students
2013-14	A.D.A. ⁽²⁾ :	3,042.18	2,453.75	1,661.54	3,721.87	10,879.34	11,290	21.40%
	Targeted Base Grant ⁽³⁾ :	\$6,952	\$7,056	\$7,266	\$8,419	--	--	--
2014-15	A.D.A. ⁽²⁾ :	2,879.80	2,450.90	1,682.45	3,740.39	10,879.34	11,088	21.24%
	Targeted Base Grant ⁽³⁾⁽⁴⁾ :	\$7,011	\$7,116	\$7,328	\$8,491	--	--	--
2015-16	A.D.A. ⁽²⁾ :	2,961.52	2,491.94	1,704.58	3,788.31	10,946.35	11,297	20.79%
	Targeted Base Grant ⁽³⁾⁽⁵⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	--	--	--
2016-17	A.D.A. ⁽²⁾ :	2,987.48	2,512.46	1,800.14	3,831.69	11,131.77	11,544	19.85%
	Targeted Base Grant ⁽³⁾⁽⁶⁾ :	\$7,083	\$7,189	\$7,403	\$8,578	--	--	--
2017-18	A.D.A. ⁽²⁾ :	3,101.28	2,531.29	1,932.81	3,848.25	11,413.73	11,833	19.95%
	Targeted Base Grant ⁽³⁾⁽⁷⁾ :	\$7,193	\$7,301	\$7,518	\$8,712	--	--	--
2018-19 ⁽¹⁾	A.D.A. ⁽²⁾ :	3,148.22	2,568.31	1,964.69	3,902.20	11,583.42	12,012	19.95%
	Targeted Base Grant ⁽³⁾⁽⁸⁾ :	\$7,459	\$7,571	\$7,796	\$9,034	--	--	--

⁽¹⁾ Budgeted.

⁽²⁾ A.D.A. for the second period of attendance, typically in mid-April of each school year.

⁽³⁾ Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded until fiscal year 2020-21.

⁽⁴⁾ Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from fiscal year 2013-14 targeted Base Grant amounts.

⁽⁵⁾ Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost-of-living adjustment from fiscal year 2014-15 targeted Base Grant amounts.

⁽⁶⁾ Targeted fiscal year 2016-17 Base Grant amounts reflect a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.

⁽⁷⁾ Targeted fiscal year 2017-18 Base Grant amounts reflect a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.

⁽⁸⁾ Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts.

⁽⁹⁾ Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System (“CALPADS”) for the 2015-16 through 2018-19 school year. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: The District.

The District received approximately \$94.1 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18, and has projected to receive approximately \$102.3 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 81.9% of its general fund revenues in fiscal year 2018-19). Such amount includes supplemental grants projected to be approximately \$3.86 million for targeted student groups in fiscal year 2018-19. The District does not qualify to receive concentration grants.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Section 75 *et seq.* and Section 95 *et seq.* of the California Revenue and Taxation Code. Section 42238(h) of the California Education Code itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" below for more information about the LCFF.

Local property tax revenues account for approximately 36.8% of the District's aggregate general fund revenues reported under LCFF sources and are projected to be approximately \$37.1 million, or 29.7% of total general fund revenues in fiscal year 2018-19.

For information about the property taxation system in California and the District's property tax base, see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Local Property Taxation – *Assessed Valuation of Property Within District.*"

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, like the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 3.0% (or approximately \$3.7 million) of the District's general fund projected revenues for fiscal year 2018-19.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 9.0% (or approximately \$11.3 million) of the District's general fund projected revenues for fiscal year 2018-19.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately \$2.6 million for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 6.1% (or approximately \$7.6 million) of the District's general fund projected revenues for fiscal year 2018-19.

Local Property Taxation

Taxable property located in the District has a 2018-19 assessed value of \$9,493,721,999. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described under the heading, “– *State-Assessed Property*” below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When

necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “ – *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

State-Assessed Property. Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property’s value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State’s methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Classification of Locally Taxed Property. Locally taxed property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as “utility” property.

Assessed Valuation of Property Within District. The following table sets forth the assessed valuations of the various classes of property in the District for fiscal years 2009-10 through 2018-19.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Assessed Valuation
Fiscal Years 2009-10 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	Percent Change
2009-10	\$6,852,313,343	\$10,158,188	\$149,236,154	\$7,011,707,685	-
2010-11	6,379,515,368	10,158,188	146,045,247	6,535,718,803	-6.8%
2011-12	6,178,591,231	10,158,188	122,573,070	6,311,322,489	-3.4
2012-13	6,101,358,378	10,158,188	121,498,720	6,233,015,286	-1.2
2013-14	6,558,897,677	11,153,170	125,035,425	6,695,086,272	7.4
2014-15	7,048,319,089	11,153,170	117,338,580	7,176,810,839	7.2
2015-16	7,628,059,922	10,847,410	142,458,064	7,781,365,396	8.4
2016-17	8,095,642,740	10,847,410	149,049,795	8,255,539,945	6.1
2017-18	8,622,722,345	10,144,400	151,468,093	8,784,334,838	6.4
2018-19	9,322,146,767	10,144,400	161,430,832	9,493,721,999	8.1

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the

opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Assessed Valuation by Jurisdiction. The following table gives a distribution of taxable real property located in the District by jurisdiction.

**ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Assessed Valuations
2018-19 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
Town of Loomis	\$ 8,969,641	0.09%	\$ 1,122,906,122	0.80%
City of Rocklin	9,408,580,511	99.10	9,809,379,394	95.91
City of Roseville	41,643,071	0.44	22,475,436,070	0.19
Unincorporated Placer County	<u>34,528,776</u>	<u>0.36</u>	32,027,114,911	0.11
Total District	\$9,493,721,999	100.00%		
Placer County	\$9,493,721,999	100.00%	\$75,858,562,500	12.52%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19**

	2018-19 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural/Rural	\$ 2,115,049	0.02%	3	0.01%	3	0.01%
Commercial/Office	1,021,114,300	10.95	489	2.28	484	2.28
Vacant Commercial	124,675,717	1.34	173	0.81	162	0.76
Industrial	221,595,155	2.38	136	0.63	136	0.64
Vacant Industrial	7,693,421	0.08	25	0.12	25	0.12
Recreational	21,731,295	0.23	40	0.19	40	0.19
Government/Social/Institutional	94,774,229	1.02	72	0.34	28	0.13
Miscellaneous	<u>308,221</u>	<u>0.00</u>	<u>479</u>	<u>2.23</u>	<u>454</u>	<u>2.14</u>
Subtotal Non-Residential	\$1,494,007,387	16.03%	1,417	6.59%	1,332	6.27%
Residential:						
Single Family Residence	\$6,866,109,004	73.65%	17,203	80.07%	17,184	80.83%
Condominium/Townhouse	182,229,913	1.95	826	3.84	826	3.89
Mobile Home	7,872,250	0.08	243	1.13	243	1.14
Mobile Home Park	20,002,238	0.21	10	0.05	10	0.05
2-3 Residential Units	28,652,436	0.31	101	0.47	101	0.48
4+ Residential Units/Apartments	436,218,859	5.75	494	2.30	483	2.27
Miscellaneous Residential	846,533	0.01	6	0.03	6	0.03
Vacant Residential	<u>186,208,147</u>	<u>2.00</u>	<u>1,186</u>	<u>5.52</u>	<u>1,075</u>	<u>5.06</u>
Subtotal Residential	\$7,828,139,380	83.97%	20,069	93.41%	19,928	93.73%
Total	\$9,322,146,767	100.00%	21,486	100.00%	21,260	100.00%

⁽¹⁾ Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes. The following table sets forth the assessed valuation of single-family homes located in the District for fiscal year 2018-19, including the median and average assessed value per parcel.

**ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Per Parcel 2018-19 Assessed Valuation of Single Family Homes**

	No. of <u>Parcels</u>	2018-19 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	17,184	\$6,866,109,004	\$399,564	\$384,948

2018-19 <u>Assessed Valuation</u>	No. of <u>Parcels (1)</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>	Total <u>Valuation</u>	% of <u>Total</u>	Cumulative <u>% of Total</u>
\$0 - \$49,999	72	0.419%	0.419%	\$ 2,462,464	0.036%	0.036%
\$50,000 - \$99,999	253	1.472	1.891	19,248,960	0.280	0.316
\$100,000 - \$149,999	391	2.275	4.167	49,764,625	0.725	1.041
\$150,000 - \$199,999	773	4.498	8.665	137,800,488	2.007	3.048
\$200,000 - \$249,999	1,493	8.688	17.353	339,225,487	4.941	7.989
\$250,000 - \$299,999	1,927	11.214	28.567	532,999,985	7.763	15.751
\$300,000 - \$349,999	2,076	12.081	40.648	675,268,634	9.835	25.586
\$350,000 - \$399,999	2,230	12.977	53.625	834,501,339	12.154	37.740
\$400,000 - \$449,999	2,225	12.948	66.574	945,262,500	13.767	51.507
\$450,000 - \$499,999	1,860	10.824	77.398	880,912,163	12.830	64.337
\$500,000 - \$549,999	1,286	7.484	84.881	673,711,270	9.812	74.149
\$550,000 - \$599,999	847	4.929	89.810	485,184,265	7.066	81.215
\$600,000 - \$649,999	564	3.282	93.092	352,449,806	5.133	86.349
\$650,000 - \$699,999	411	2.392	95.484	276,931,990	4.033	90.382
\$700,000 - \$749,999	262	1.525	97.009	189,321,788	2.757	93.139
\$750,000 - \$799,999	194	1.129	98.138	149,622,419	2.179	95.318
\$800,000 - \$849,999	89	0.518	98.656	73,353,283	1.068	96.387
\$850,000 - \$899,999	70	0.407	99.063	61,202,867	0.891	97.278
\$900,000 - \$949,999	44	0.256	99.319	40,518,959	0.590	97.868
\$950,000 - \$999,999	22	0.128	99.447	21,425,291	0.312	98.180
\$1,000,000 and greater	95	0.553	100.000	124,940,421	1.820	100.000
Total	17,184	100.000%		\$6,866,109,004	100.000%	

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

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Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

**ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Largest 2018-19 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Meridian Apartments LP	Apartments	\$76,213,648	0.82%
2.	MGP X Properties LLC	Shopping Center	72,822,135	0.78
3.	Garnet Creek LLC	Apartments	39,418,960	0.42
4.	CPT Creekside Town Center LLC	Shopping Center	38,733,872	0.42
5.	AHST 39 LLC & Roseville Parkway 20 LLC	Office Building	38,039,730	0.41
6.	Winsted Apartments LP	Apartments	37,997,978	0.41
7.	Demmon Rocklin Ranch Partners LP	Apartments	37,393,373	0.40
8.	John Mourier Construction Inc.	Residential Development	37,242,366	0.40
9.	Williams Portfolio 8	Apartments	35,689,243	0.38
10.	Sunset Ranchos Investors LLC	Residential Development	35,239,362	0.38
11.	Sunset Court at Stanford Ranch-344 LLC	Apartments	34,629,072	0.37
12.	DS Properties 17 LP	Shopping Center	34,255,111	0.37
13.	Rocklin CA Senior Property LLC	Convalescent Home	33,485,849	0.36
14.	Woodstream Colony LLC	Apartments	33,083,700	0.35
15.	Oracle Systems Corporation	Office Building	32,728,120	0.35
16.	United Natural Foods	Industrial	30,510,531	0.33
17.	Montessa Management LP	Apartments	30,218,744	0.32
18.	ARHC CAROCCA01 LLC	Convalescent Home	28,353,148	0.30
19.	Shaliko LP	Apartments	23,857,033	0.26
20.	Stanford Terraces Inc.	Apartments	<u>23,296,719</u>	<u>0.25</u>
			\$753,208,694	8.08%

⁽¹⁾ 2018-19 local secured assessed valuation: \$9,322,146,767.

Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

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Tax Rates. The following table sets forth the total *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 4-000). The assessed valuation for this Tax Rate Area for fiscal year 2018-19 is \$4,353,817,173, which comprises approximately 45.9% of the total assessed value of the District.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Typical Tax Rate per \$100 Assessed Valuation (TRA 4-000)
Fiscal Years 2014-15 through 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Rocklin Unified School District	<u>.136351</u>	<u>.134302</u>	<u>.131212</u>	<u>.141879</u>	<u>.117882</u>
Total Tax Rate	\$1.136351	\$1.134302	\$1.131212	\$1.141879	\$1.117882

Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, such alternative method is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the County Treasurer may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the County, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The County Treasurer may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table sets forth a recent history of real property tax collections and delinquencies associated with the District's tax levy for general obligation bonds for fiscal years 2013-14 through 2017-18.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2017-18

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	Percentage Delinquent June 30
2013-14	\$ 8,784,850.57	\$ 53,037.51	0.60%
2014-15	9,512,030.26	58,006.11	0.61
2015-16	10,158,248.78	51,527.13	0.51
2016-17	10,526,276.60	89,164.00	0.85
2017-18	12,128,985.90	102,193.22	0.84

⁽¹⁾ Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Teeter Plan. 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 participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district bonds.

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

Charter Schools

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 California 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 may be 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 to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) 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 (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

There are currently six charter schools operating in the District, including, Rocklin Academy, Rocklin Academy 2, Maria Montessori Charter Academy, Rocklin Independent Charter Academy (RICA), Western Sierra Collegiate Academy and Placer Academy Charter. Two of the charter schools serve grades K-6, two serve grades K-8, one serves grades 7-12 and RICA serves grades K-12. Each charter school operates under charter from the District, with a combined enrollment of 1,745 students in fiscal year 2017-18 (Placer Academy Charter excluded from the enrollment count) and a projected enrollment of approximately 2,087 students in fiscal year 2018-19. The District's audited financial statements for fiscal year 2017-18, which are included as Appendix B, include the operations of Rocklin Independent Charter Academy. The remaining charter schools prepare separate audited financial statements, which are not included in the District's audited financial statements.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2018, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's former independent auditor, Gilbert Associates, Inc., Sacramento, California ("Gilbert"), for fiscal years 2013-14 through 2015-16, and by the District's current independent auditor, Crowe LLP, Sacramento, California ("Crowe"), for fiscal years 2016-17 and 2017-18.

The change in auditors in fiscal year 2016-17 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the Statement of General Fund Revenues, Expenditures and Fund Balance tables below for fiscal years 2013-14 through 2015-16 and fiscal years 2016-17 and 2017-18 are categorized differently. Although historical total revenue and expenditure figures are comparably consistent, the categorical breakdown of expenditures is different for the revised accounting formats and is not directly comparable.

Gilbert and Crowe have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2013-14 through 2017-18.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2015-16

	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals
REVENUES			
LCFF sources	\$66,794,772	\$74,090,346	\$84,034,788
Federal sources	2,940,709	2,957,673	3,233,396
Other state sources	6,004,634	6,606,816	13,554,263
Other local sources	6,219,711	6,720,918	7,281,626
Total Revenues	\$81,959,826	\$90,375,753	\$108,104,073
EXPENDITURES			
Current			
Instruction	\$52,044,014	\$59,664,226	\$64,907,248
Instruction-Related Services:			
Supervision of instruction	1,773,161	2,153,211	2,956,058
Instructional library, media and technology	1,120,330	1,138,193	1,175,989
School site administration	6,055,355	6,445,593	6,899,993
Pupil Services			
Pupil transportation	1,268,557	1,184,970	1,378,834
Food services	18,058	6,650	10,212
Other pupil services	3,328,827	4,635,474	4,471,447
General Administration			
Data processing services	1,726,987	1,553,774	1,773,122
Other general administration	2,857,946	3,275,626	3,589,856
Plant services	8,400,419	9,093,927	9,659,283
Ancillary services	936,718	1,016,340	1,099,140
Community services	102,197	133,595	190,633
Transfers to other agencies	2,085,738	1,101,871	1,234,749
Capital Outlay	-	200,628	1,432,755
Debt service			
Principal	-	-	-
Interest and other	38,404	-	-
Total Expenditures	\$81,756,711	\$91,604,078	\$100,779,319
Excess (Deficiency) of Revenues Over Expenditures	\$203,115	\$(1,228,325)	\$7,324,754
Other Financing Sources (Uses)			
Transfers in	\$54,216	\$120,211	\$8,587
Transfers out	-	(565)	-
Net Financing Sources (Uses)	\$54,216	\$119,646	\$8,587
NET CHANGE IN FUND BALANCE	\$257,331	\$(1,108,679)	\$7,333,341
Fund Balance, July 1	\$13,112,537	\$13,369,868	\$12,261,189
Fund Balance, June 30	\$13,369,868	\$12,261,189	\$19,594,530

Source: District Audited Financial Reports for fiscal years 2013-14 through 2015-16.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2016-17 and 2017-18

	2016-17 Actuals	2017-18 Actuals
REVENUES		
LCFF sources	\$89,614,456	\$94,111,598
Federal sources	3,068,679	3,157,465
Other state sources	9,461,316	10,282,942
Other local sources	7,687,343	8,648,802
Total Revenues	\$109,831,794	\$116,200,807
EXPENDITURES		
Current:		
Certificated salaries	\$51,427,824	\$54,138,689
Classified salaries	16,444,205	17,216,026
Employee benefits	21,465,835	24,785,623
Books and supplies	4,268,737	5,379,542
Contract services and operating expenditures	8,586,885	9,075,358
Other Outgo	1,093,813	853,719
Capital Outlay	1,159,717	2,082,061
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	\$104,447,016	\$113,531,018
Excess (Deficiency) of Revenues Over Expenditures	\$5,384,778	\$2,669,789
Other Financing Sources (Uses)		
Transfers in	\$137,969	\$190,278
Transfers out	-	(162,693)
Net Financing Sources (Uses)	\$137,969	\$27,585
NET CHANGE IN FUND BALANCE	\$5,522,747	\$2,697,374
Fund Balance, July 1	\$19,594,530	\$25,117,277
Fund Balance, June 30	\$25,117,277	\$27,814,651

Source: District Audited Financial Reports for fiscal years 2016-17 and 2017-18.

The following table sets forth the general fund balance sheet of the District for fiscal years 2013-14 through 2017-18.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS					
Cash and cash equivalents/investments	\$9,118,278	\$14,000,771	\$20,545,856	\$25,559,177	\$25,781,042
Receivables	8,526,504	3,365,989	4,501,935	4,623,162	5,765,994
Due from other funds	172,846	436,939	315,455	1,457,464	347,191
Stores inventory	-	-	-	-	-
Prepaid expenditures	41,299	40,671	51,372	44,919	512,107
Advance Receivable	-	-	-	-	-
Other current assets	-	-	-	-	-
Total Assets	\$17,858,927	\$17,844,370	\$25,414,618	\$31,684,722	\$32,406,334
LIABILITIES					
Accounts payable	\$4,429,257	\$5,388,637	\$5,531,402	\$4,684,686	\$4,411,802
Due to other funds	46	91,956	215,110	1,813,808	48,417
Unearned revenue	59,756	102,588	73,576	68,951	131,464
Total Liabilities	\$4,489,059	\$5,583,181	\$5,820,088	\$6,567,445	\$4,591,683
FUND BALANCES					
Nonspendable	\$ 51,799	\$ 51,171	\$ 61,370	\$ 53,156	\$ 522,607
Restricted	4,881,245	3,401,072	4,803,767	6,258,118	7,116,692
Committed	541,655	584,641	595,617	634,221	650,991
Assigned	3,924,650	2,555,305	6,765,781	7,443,810	8,222,132
Unassigned	3,970,519	5,669,000	7,367,995	10,727,972	11,302,229
Total Fund Balances	\$13,369,868	\$12,261,189	\$19,594,530	\$25,117,277	\$27,814,651
Total Liabilities and Fund Balances	\$17,858,927	\$17,844,370	\$25,414,618	\$31,684,722	\$32,406,334

Source: District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

District Budget Process and County Review

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 County of Placer Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the

recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. 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 (known as "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 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, 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, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than

June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives 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 and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State General Fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State General Fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State General Fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State General Fund will be based upon the availability of funds within the State General Fund.

The following table sets forth the District's original general fund budgets for fiscal years 2016-17 through 2018-19, audited actuals for fiscal years 2016-17 and 2017-18 and second interim report for fiscal year 2018-19.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
General Fund Budgets for Fiscal Years 2016-17 through 2018-19,
Audited Actuals for Fiscal Years 2016-17 and 2017-18
and Second Interim Report for Fiscal Year 2018-19

	2016-17 Original Budget	2016-17 Actuals	2017-18 Original Budget	2017-18 Actuals	2018-19 Original Budget	2018-19 Second Interim Report ⁽¹⁾
REVENUES						
LCFF Sources	\$89,102,728	\$89,614,456	\$93,092,814	\$94,111,598	\$101,399,980	\$102,321,107
Federal Revenue	2,803,512	3,068,679	2,717,500	3,157,465	2,909,681	3,686,269
Other State Revenue	10,169,961	9,461,316	9,770,677	10,282,942	7,999,915	11,270,788
Other Local Revenue	5,865,557	7,687,343	6,563,702	8,648,802	6,742,383	7,635,618
TOTAL REVENUES	\$107,941,758	\$109,831,794	\$112,144,693	\$116,200,807	\$119,051,959	\$124,913,782
EXPENDITURES						
Certificated Salaries	\$50,947,839	\$51,427,824	\$53,434,177	\$54,138,689	\$55,322,509	\$60,672,616
Classified Salaries	16,243,624	16,444,205	16,916,365	17,216,026	17,641,425	19,013,659
Employee Benefits	22,586,696	21,465,835	24,010,577	24,785,623	27,010,543	28,162,274
Books and Supplies	5,886,161	4,268,737	4,906,095	5,379,542	5,911,023	7,845,010
Services, Other Operating						
Expenditures	8,040,259	8,586,885	8,365,839	9,075,358	9,089,485	11,425,760
Capital Outlay	1,059,915	1,159,717	1,186,791	2,082,061	856,133	2,036,455
Other Outgo (excluding						
Transfers of Indirect Costs)	1,283,259	1,093,813	1,136,762	853,719	951,809	708,578
Transfers of Indirect Costs	-	-	-	-	(191,026)	(204,237)
TOTAL EXPENDITURES	\$106,047,753	\$104,447,016	\$109,956,606	\$113,531,018	\$116,591,901	\$129,660,115
EXCESS (DEFICIENCY) OF						
REVENUES OVER						
EXPENDITURES	\$1,894,005	\$5,384,778	\$2,188,087	\$2,669,789	\$2,460,058	\$(4,746,333)
OTHER FINANCING						
SOURCES/USES						
Interfund Transfers In	-	\$137,969	\$177,303	\$190,278	-	-
Interfund Transfers Out	-	-	(162,693) ⁽²⁾	(162,693) ⁽²⁾	\$(325,386) ⁽²⁾	\$(325,386) ⁽²⁾
Other Sources/Uses	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER						
FINANCING SOURCES						
(USES)	-	\$137,969	\$14,610	\$27,585	(325,386)	\$(325,386)
NET INCREASE						
(DECREASE) IN FUND						
BALANCE	\$1,894,005	\$5,522,747	\$2,202,697	\$2,697,374	\$2,134,672	\$(5,071,719)
BEGINNING FUND						
BALANCE, July 1	\$19,594,530	\$19,594,530	\$25,117,277	\$25,117,277	\$26,353,295	\$27,814,652
ENDING BALANCE,						
June 30	\$21,488,535	\$25,117,277	\$27,319,974	\$27,814,651	\$28,487,967	\$22,742,933

⁽¹⁾ Figures are projections.

⁽²⁾ Transfers out in fiscal years 2017-18 and 2018-19 are to the Special Reserve Fund for Capital Outlay Projects to set aside funds for the District's twelfth elementary school which is scheduled to open in fall 2021.

Source: District original general fund Budgets for fiscal years 2015-16 through 2018-19; unaudited actuals for fiscal years 2016-17 and 2017-18; and second interim report for fiscal year 2018-19.

District Debt Structure

General Obligation Bonds. On March 5, 1991, the District's voters approved a measure authorizing the District to issue up to \$41,935,000 in general obligation bonds (the "1991 Authorization"). On August 1, 1991, the District issued its 1991 General Obligation Bonds, Series A (the "Series 1991A Bonds"), in the aggregate principal amount of \$24,155,756.49, none of which are currently outstanding. On August 23, 1994, the District issued its 1991 General Obligation Bonds, Series B (Bank Qualified) (the "Series 1991B Bonds"), in the aggregate principal amount of \$6,998,802.65. On July 12, 1995, the District issued its 1991 General Obligation Bonds, Series C (the "Series 1991C Bonds"), in the aggregate principal amount of \$10,779,334.40. There is no remaining unissued authorization under the 1991 Authorization.

On April 14, 1998, the District's voters approved a measure authorizing the District to issue up to \$17,000,000 in general obligation bonds (the "1994 Authorization"). On September 2, 1998, the District issued its General Obligation Bonds, Election of 1998, Series 1998 (the "Series 1998 Bonds"), in the aggregate principal amount of \$12,627,074.30. On August 24, 1999, the District issued its General Obligation Bonds, Election of 1998, Series 1999 Current Interest Bonds (Bank Qualified) (the "Series 1999 CIBs"), in the aggregate principal amount of \$2,520,000, and its General Obligation Bonds, Election of 1998, Series 1999 Capital Appreciation Bonds (Bank Qualified) (the "Series 1999 CABs"), in the aggregate principal amount of \$1,849,703.65. None of the bonds issued under the 1994 Authorization are currently outstanding. There is no remaining unissued authorization under the 1994 Authorization.

On March 5, 2002, the District's voters approved a measure authorizing the District to issue up to \$52,000,000 in general obligation bonds (the "2002 Authorization"). On August 15, 2002, the District issued its General Obligation Bonds, Election of 2002, Series 2002 (the "Series 2002 Bonds"), in the aggregate principal amount of \$19,998,745.10. On August 7, 2003, the District issued its General Obligation Bonds, Election of 2002, Series 2003 (the "Series 2003 Bonds"), in the aggregate principal amount of \$31,998,859.20. There is no remaining unissued authorization under the 2002 Authorization.

On April 18, 2017, the District issued its 2017 General Obligation Refunding Bonds (the "2017 Refunding Bonds") in the aggregate principal amount of \$11,790,000 to refund its outstanding Series 1998 Bonds and Series 1999 Bonds.

A summary of the District's general obligation bonds is presented below:

ROCKLIN UNIFIED SCHOOL DISTRICT (Placer County, California) Summary of Outstanding General Obligation Bonds

Series	Issue Date	Original Principal Amount	Principal Amount Outstanding as of April 1, 2019 ⁽¹⁾
Series 1991B Bonds	08/23/1994	\$ 6,998,802.65	\$234,825.30
Series 1991C Bonds	07/12/1995	10,779,334.40	715,895.40
Series 2002 Bonds	08/15/2002	19,998,745.10	16,264,879.55
Series 2003 Bonds	08/07/2003	31,998,859.20	26,953,882.60
2017 Refunding Bonds	04/18/2017	11,790,000.00	8,625,000.00

⁽¹⁾ Excludes accreted value on capital appreciation bonds.

Source: The District.

Non-Obligatory Debt; Community Facilities Districts. The District has established three Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982,

as amended. The annual payments for the Special Tax Bonds are secured solely by the special taxes levied on taxable property in the respective community facilities district and are not obligations of the District. For additional information, see Note 5 to the APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

The District is contemplating issuing special tax revenue bonds to fund construction of a new elementary school in fall 2019 in connection with its Mello-Roos community facilities districts.

Certificates of Participation. On November 21, 2006, the District issued its 2006 Certificates of Participation (the “2006 Certificates”) in the amount of \$19,890,00. In connection therewith, the District entered into an agreement with Southern Placer Schools Transportation Authority (“SPSTA”) and issued an advance of \$16,010,441 funded by the 2006 Certificates for the purpose of assisting the SPSTA in the acquisition of school sites. The 2006 Certificates include a provision for the use of leased property. Payment of this advance will occur at such time(s) that the District determines the need for the school site(s) and title is transferred from the SPSTA to the District or upon determination by the District not to acquire title and the subsequent disposal of sites upon terms mutually agreeable to the District and the SPSTA. As of the year ended June 30, 2018, \$12,007,831 remains with the SPSTA. See Note 11 to APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

During the fiscal year ended June 30, 2014, the District made a \$5,500,000 principal payment, including a \$4,970,000 partial redemption approved by the Board of Trustees. The remaining 2006 Certificates carry interest rates ranging from 4.125% to 4.50%, with a final maturity of October 1, 2035, as follows:

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
2006 Certificates of Participation

Year Ended June 30,	Principal	Interest	Total
2019	-	\$ 612,569	\$ 612,569
2020	-	612,569	612,569
2021	-	612,569	612,569
2022	\$ 25,000	612,053	637,053
2023	740,000	596,275	1,336,275
2024-2028	4,190,000	2,447,731	6,667,731
2029-2033	5,205,000	1,443,263	6,648,263
2034-2037	3,720,000	256,050	3,976,050
Total	<u>\$13,880,000</u>	<u>\$7,223,079</u>	<u>\$21,103,079</u>

Source: District Audited Financial Report for fiscal year 2017-18.

Compensated Absences. Total unpaid employee compensated absences as of June 30, 2018 amounted to \$404,368. This amount is included as part of long-term liabilities in the government-wide financial statements.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and the State Public Employees’ Retirement System (“CalPERS”) (see “– Retirement Benefits” below), the District provides certain medical and dental insurance benefits to eligible retirees and their spouses (the “Plan”). Eligibility for retiree health benefit and the District’s financial contribution varies by employee group and when an employee was hired. Benefits will continue for these employees according to

their retiree group. As of June 30, 2018, the District provided such benefits to 121 eligible retirees (and related beneficiaries) and 44 eligible active employees. For a description of the District's Plan, see Note 9 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("GASB 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. GASB 45 was phased in over a three-year period based upon the entity's revenues.

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. In 2017, the District implemented GASB Statement Number 75 ("GASB 75") as a replacement to GASB 45. Under GASB 75, reporting of the OPEB liability changes from the Net OPEB obligation previously reported under GASB 45 to a Total OPEB obligation. This has the effect of recognizing the full OPEB liability instead of the net OPEB liability. As of June 30, 2018, the District has a total OPEB liability of \$7,966,153 and a net OPEB liability of \$696,049.

On October 10, 2018, Total Compensation Systems, Inc., actuarial consultants, Westlake Village, California, completed a study of the District's outstanding post-employment benefit obligations as of June 30, 2017. The report estimates the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2018 to be \$645,515. The report calculates the actuarial present value of projected benefit payments, known as the "total OPEB liability" ("TOL"). As of the date of the report, the value of benefits accrued in the year beginning July 1, 2018 was \$14,441, and the District had a TOL of \$7,966,153. The TOL is an actuarial estimate that depends on a variety of assumptions about future events such as the cost of retiree health care benefits, mortality rates and employment termination dates. The report also calculates the unfunded portion of the liability, known as the "net OPEB liability" ("NOL"). As of the date of the report, the District had a NOL of \$696,049.

The OPEB expense is the amount recognized in accrual basis financial statements as the current period expense and includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. As of the date of the report, the District's OPEB expense for the fiscal year ending June 30, 2018 was \$116,316.

Tax and Revenue Anticipation Notes. The District last issued tax and revenue anticipation notes in fiscal year 2012-13. The District did not issue any tax and revenue anticipation notes in fiscal year 2018-19 and does not expect to issue any tax and revenue anticipation notes in fiscal year 2019-20. The District may, however, issue tax and revenue anticipation notes in future fiscal years as and when necessary to supplement cash flow.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective May 1, 2019, for debt outstanding as of May 1, 2019. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District

in whole or in part. Column 2 sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Statement of Direct and Overlapping Bonded Debt

2018-19 Assessed Valuation: \$9,493,721,999

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/19</u>
Rocklin Unified School District	100.000%	\$52,794,483
Rocklin Unified School District Community Facilities District No. 1 and 2	100.000	26,859,715
City of Rocklin Community Facilities District No. 3	100.000	1,512,458
City of Rocklin Community Facilities District No. 6	100.000	544,910
City of Rocklin Community Facilities District No. 7	100.000	901,776
City of Rocklin Community Facilities District No. 8	100.000	1,410,216
City of Rocklin Community Facilities District No. 9	100.000	1,679,163
City of Rocklin Community Facilities District No. 10	100.000	23,955,000
City of Rocklin Community Facilities District No. 11	55.260	3,984,420
California Statewide Communities Development Authority Assessment Districts	89.119 – 100.0	<u>14,640,938</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$128,283,079
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County General Fund Obligations	12.515%	\$ 3,190,074
Placer County Office of Education Certificates of Participation	12.515	113,887
Sierra Joint Community College District Certificates of Participation	9.477	353,113
Rocklin Unified School District Certificates of Participation	100.000	13,880,000⁽¹⁾
City of Rocklin General Fund Obligations	95.914	8,095,142
City of Roseville Certificates of Participation	0.185	41,625
South Placer Fire Protection District Certificates of Participation	1.511	77,741
Placer Mosquito and Vector Control District Certificates of Participation	12.515	<u>380,456</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$26,132,038
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$17,580,606
 COMBINED TOTAL DEBT		\$171,995,723⁽²⁾

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$52,794,483)	0.56%
Total Direct and Overlapping Tax and Assessment Debt	1.35%
Combined Direct Debt (\$66,674,483)	0.70%
Combined Total Debt.....	1.81%

Ratio to Redevelopment Incremental Valuation (\$769,506,596):

Overlapping Tax Increment Debt	2.28%
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⁽¹⁾ Excludes Certificates to be sold.

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

Source: California Municipal Statistics, Inc.

Employment

As of March 20, 2019, the District employed 1,057.0 full time equivalent employees (FTEs), consisting of 615.8 certificated FTEs, 370.0 classified FTEs, and 71.2 management, supervisor and confidential FTEs. For fiscal year 2017-18, the total certificated and classified payrolls paid from the general fund of the District were approximately \$54.1 million and \$17.2 million, respectively. For fiscal year 2018-19, the total certificated and classified payrolls to be paid from the general fund of the District are projected to be approximately \$60.7 million and \$19.0 million, respectively.

The District's certificated and classified employees are represented by formal bargaining organizations as shown in the following table below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Rocklin Teachers' Professional Association (RTPA)	618.8	June 30, 2020 ⁽¹⁾
California School Employees' Association (CSEA)	276.7	June 30, 2019

⁽¹⁾ Currently in negotiations for 2018-19 language.

Source: The District.

Retirement Benefits

The District participates in retirement plans with CalSTRS which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to the California State Teachers' Retirement System ("CalSTRS") are fixed in statute. In fiscal year 2013-14, covered employees contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2017, an actuarial valuation (the "2017 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$107.3 billion, an increase of approximately \$10.6 billion from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 63.9%, 63.7% and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 CalSTRS Actuarial Valuation also assumes that all members hired on

or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “– *California Public Employees’ Pension Reform Act of 2013*” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

On February 1, 2017, the State Teachers’ Retirement Board voted to adopt revised actuarial assumptions reflecting members’ increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As indicated above, there was no required contribution from teachers, school districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The actuarial valuation from June 30, 2016 noted that, as of June 30, 2017, the aggregate contribution rate, inclusive of an equivalent rate contribution of 10.219% from members, 8.00% from employers relating to the base rate, 0.25% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate equivalent to 34.467%.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Member contributions also increased from 8.00% to a total of 10.25% for members hired on or before December 31, 2012 and 9.205% for members hired on or after January 1, 2013 effective July 1, 2016. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school districts’ contribution rates will increase in accordance with the following schedule:

**ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Assembly Bill 1469 Contribution Rates**

Effective Date (July 1)	School District Contribution Rate
2018	16.28%
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2013-14 through 2017-18 and the projected contribution for fiscal year 2018-19.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Contributions to CalSTRS for Fiscal Years 2013-14 through 2018-19

<u>Fiscal Year</u>	<u>District Contribution⁽¹⁾</u>	<u>STRS On-Behalf Amounts</u>
2013-14	\$3,542,293	\$2,033,937
2014-15	4,097,454	2,299,315
2015-16	5,254,234	3,057,695
2016-17	6,437,566	2,967,626
2017-18	7,727,502	4,314,288
2018-19 ⁽²⁾	9,869,419	4,297,136

⁽¹⁾ Includes all funds of the District contributing to CalSTRS.

⁽²⁾ Projected.

Source: The District.

The District's total employer contributions to CalSTRS for fiscal years 2013-14 through 2017-18 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. The District also participates in CalPERS for all full-time and some part-time classified employees. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

The districts are currently required to contribute to CalPERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in CalPERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the CalPERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning CalPERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up

of rates at the start and a five year ramp-down of rates at the end. The CalPERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December 2016, the CalPERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with CalPERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20 year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

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

On February 14, 2018, the CalPERS Board approved modifying the CalPERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the CalPERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019 valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the CalPERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2012-13 through 2017-18, and the budgeted contribution for fiscal year 2018-19.

ROCKLIN UNIFIED SCHOOL DISTRICT
(Placer County, California)
Contributions to CalPERS for Fiscal Years 2013-14 through 2018-19

Fiscal Year	District Contribution ⁽¹⁾
2013-14	\$1,213,671
2014-15	1,385,762
2015-16	1,552,927
2016-17	1,891,806
2017-18	2,253,417
2018-19 ⁽²⁾	2,914,652

⁽¹⁾ Includes all funds of the District contributing to CalPERS.

⁽²⁾ Projected.

Source: The District.

The District's total employer contributions to CalPERS for fiscal years 2013-14 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "*California Public Employees' Pension Reform Act of 2013*" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "Reform Act" or "PEPRA") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2.0% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2.0% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in social security.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make (except as already announced). CalSTRS and CalPERS liabilities are more fully described in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.” The District is not permitted to pay down its portion of retirement liability for CalSTRS or CalPERS.

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans (“GASB 67”), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions (“GASB 68”), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculated and reported the costs and obligations associated with pensions. GASB 67 replaced the requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and GASB 68 replaced the requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replaced the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes included: (i) the inclusion of unfunded pension liabilities on the government’s balance sheet (such unfunded liabilities are currently typically included as notes to the government’s financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. GASB 67 became effective beginning in fiscal year 2013-14, and GASB 68 became effective beginning in fiscal year 2014-15.

The District implemented the provisions of GASB 68 which required the District to recognize its proportionate share of its unfunded pension liabilities with CalPERS and CalSTRS. These amounts were presented as long-term liabilities and are funded as a component of the annual required contribution that District makes to CalPERS and CalSTRS on behalf of its employees. See APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

Joint Powers Authorities

The District is a member of the Schools Insurance Group (“SIG”) for the operation of common risk management and insurance program. The program covers workers’ compensation, property/liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada counties and their respective County Offices of Education. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operation of SIG, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

The District is also a member of the Southern Placer School Transportation Authority (“SPSTA”), a Joint Powers Authority established for the operation of pupil transportation maintenance services and classroom facilities. The District is a member with Eureka Union School District. Each member district has representatives on the Governing Board. Each member of that Board has equal voting rights. The Governing Board has decision-making authority, which includes the power to designate management, and the ability to significantly influence operations. The District has advanced the SPSTA funds to facilitate land banking for future District school site development. The balance at June 30, 2018 was \$12,007,831 and it is recorded in the Capital Project Blended Components Units Fund as an advance receivable.

Each Joint Powers Authority prepares its own separate financial statements.

THE ECONOMY OF THE DISTRICT

The District is located in the southwestern portion of the County and encompasses approximately 19 square miles, including most of the incorporated area of the City of Rocklin, small portions of the Town of Loomis and the City of Roseville, and adjacent unincorporated portions within the County. The following economic and demographic data for selected cities and the County are presented for informational purposes only. The Certificates are not a debt or obligation of the City or the County.

General

The City is in California's Sacramento Valley, near the foothills of the Sierra Nevada. It is located about 14 miles northeast of Sacramento, the State capital, and 105 miles east of San Francisco. Rocklin is the second largest city in the County.

The County's transportation facilities are excellent, with U.S. Interstate Highway 5 and U.S. Interstate Highway 80 providing easy access to the rest of California and the West. The County is served by long and short-haul trucking firms, as well as by trains and buses. The Sacramento metropolitan airport, 25 miles west of the District, provides daily scheduled service by major air carriers to other California cities and points nationwide. International shipping facilities are available in West Sacramento, 20 miles west of the District.

Population

The table below shows the recent population growth for the City and the County. The population of the City in 2018 was 66,711 persons, approximately 17.1% of the population of the County. The City's population increased by 20.1% between 2009 and 2018.

**POPULATION OF ROCKLIN AND PLACER COUNTY
2009-2018⁽¹⁾**

Year	City of Rocklin		Placer County	
	Population	Annual % Change	Population	Annual % Change
2009	55,566	-	340,995	-
2010	56,720	2.1%	340,133	(0.3)%
2011	58,228	2.7	354,359	4.2
2012	58,967	1.3	359,790	1.5
2013	59,300	0.6	363,618	1.1
2014	59,891	1.0	368,141	1.2
2015	60,502	1.0	371,326	0.9
2016	61,595	1.8	376,443	1.4
2017	64,397	4.6	383,719	1.9
2018	66,711	3.6	389,480	1.5

⁽¹⁾ Statistics are as of January 1. For 2010, population statistics are as of April 1.

Source: California Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2001-2010, with 2000 & 2010 Census Counts for 2009-10 and E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark for 2011-2018.

Industry and Employment

The following table summarizes wage and salary employment in the Metropolitan Statistical Area (“MSA”) of Sacramento-Arden Arcade-Roseville, inclusive of Placer County, from 2014 to 2018. The total wage and salary employment in the MSA increased by 14.6% between 2014 and 2018.

ANNUAL AVERAGE WAGE AND SALARY EMPLOYMENT MSA of Sacramento-Arden Arcade-Roseville 2014-2018

Industry	2014	2015	2016	2017	2018
Business and Financial Operations	\$ 69,913	\$ 71,677	\$ 72,801	\$ 75,124	\$ 76,680
Computer and Mathematical	83,244	84,322	87,216	87,786	89,158
Architecture and Engineering	92,562	92,545	92,877	95,715	99,079
Life, Physical, and Social Science	76,276	72,762	76,533	77,588	79,206
Community and Social Services	52,488	52,301	51,597	53,194	54,724
Legal	108,598	109,904	110,468	108,737	109,803
Education, Training, and Library	56,353	56,245	56,193	56,870	61,517
Arts, Entertainment, Sports	51,790	54,318	55,016	56,941	55,353
Healthcare Practitioners	100,038	99,541	103,580	102,935	104,522
Protective Service	51,672	52,564	52,935	55,754	58,744
Sales	38,903	40,750	39,242	40,080	41,414

Source: State of California, Employment Development Department, Labor Market Information Division.

The following table summarizes civilian labor force, employment, and unemployment in the County from 2014 to 2018. The County’s civilian labor force was 5.3% greater in 2018 than in 2014. The employed labor force in the County was 3.2% greater in 2018 than in 2014.

The unemployment rate in the County in 2018 was 3.1%. In contrast, the average unemployment rate in California in 2018 was 4.2%.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Placer County Annual Averages, 2014-2018

Year	Civilian Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2014	175,900	164,900	11,000	6.3%
2015	176,900	167,900	8,900	5.1
2016	180,200	172,100	8,100	4.5
2017	182,200	175,200	7,000	3.8
2018	185,200	179,400	5,800	3.1

Source: State of California Employment Development Department – Monthly Labor Force Data for Counties, Annual Averages for 2014 through 2018.

Major Employers

The following table shows the largest employers in the City in 2018.

LARGEST EMPLOYERS City of Rocklin

Employer	Number of Employees	% of Total Employment
Sierra Joint Community College District	1,500	24.0%
Rocklin Unified School District	1,434	22.9
Oracle America, Inc.	819	13.1
United Natural Foods, Inc. (UNFI)	474	1.6
Purple Communications, Inc.	428	6.8
Wal-Mart Stores, Inc.	422	6.8
United Parcel Service (UPS)	353	5.6
Educational Media Foundation (K-LOVE Radio)	325	5.2
Rocklin Academy Charter Schools	273	4.4
City of Rocklin	228	3.6

Source: City of Rocklin Comprehensive Annual Financial Report for the year ended June 30, 2018.

The following table shows the largest employers located in the County in 2018.

LARGEST EMPLOYERS Placer County

Employer	Number of Employees	% of Total Employment
Sutter Health	5,634	3.1%
Kaiser Permanente	5,609	3.1
County of Placer	2,898	1.6
Thunder Valley Casino Resort	2,500	1.4
Hewlett-Packard Co.	2,000	1.1
PRIDE Industries	1,646	0.9
Safeway Inc.	1,189	0.7
Squaw Valley Alpine Meadows	1,161	0.7
City of Roseville	1,146	0.6
Union Pacific Railroad Co. Inc.	1,091	0.6

Source: County of Placer Comprehensive Annual Financial Report for the year ended June 30, 2018.

Construction Activity

The following table sets forth a summary of housing unit building permits in the City and the County.

HOUSING UNIT BUILDING PERMITS County of Placer 2014 – 2018

	2014	2015	2016	2017	2018
Valuation:					
Residential	\$631,712,162	\$ 788,086,003	\$ 898,350,119	\$ 953,794,961	\$ 798,815,779
Non-residential	<u>184,680,855</u>	<u>226,906,195</u>	<u>210,590,779</u>	<u>290,090,777</u>	<u>250,932,077</u>
Total	\$816,393,017	\$1,014,992,198	\$1,108,940,898	\$1,243,885,738	\$1,049,747,856
Dwelling Units:					
Single family	1,620	1,994	2,102	2,500	1,964
Multiple family	<u>376</u>	<u>240</u>	<u>322</u>	<u>783</u>	<u>19</u>
Total	1,996	2,234	2,424	3,283	1,983

Sources: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Rocklin 2014-2018

	2014	2015	2016	2017	2018
Valuation:					
Residential	\$121,111,166	\$152,568,784	\$182,919,905	\$231,079,546	\$213,773,221
Non-residential	<u>44,610,437</u>	<u>42,855,666</u>	<u>23,776,019</u>	<u>43,114,237</u>	<u>25,013,9807</u>
Total	\$165,721,603	\$195,424,450	\$206,695,924	\$274,193,783	\$238,787,028
Dwelling Units:					
Single family	306	386	544	698	585
Multiple family	<u>111</u>	<u>226</u>	<u>220</u>	<u>267</u>	<u>0</u>
Total	417	612	764	965	585

Source: Construction Industry Research Board.

Income

Total personal income in the County increased by 51.2% between 2008 and 2017. Per capita personal income in the County grew by 32.1% during this time. The following table summarize personal income for the County for the period from 2008 to 2017.

PERSONAL INCOME AND PER CAPITA INCOME
2008-2017⁽¹⁾
(in thousands)

Year	Personal Income (\$ in Thousands)	Annual Percent Change	Per Capita Income	Annual Percent Change
2008	\$16,226,909	-	\$48,070	-
2009	15,876,080	(2.2)%	46,177	(3.9)%
2010	16,634,723	4.8	47,523	2.9
2011	17,691,589	6.4	49,633	4.4
2012	18,925,958	7.0	52,489	5.8
2013	19,529,042	3.2	53,384	1.7
2014	20,795,241	6.5	56,245	5.4
2015	22,349,010	7.5	59,842	6.4
2016 ⁽²⁾	23,379,321	4.6	61,566	2.9
2017 ⁽²⁾	24,527,289	4.9	63,515	3.2

⁽¹⁾ Most recent data available as of the date of this Official Statement.

⁽²⁾ Numbers reflect rounding because data only available in millions of dollars for 2016 and 2017.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Per Capita Personal Income by Metropolitan Area, 2008-2017.

Retail Sales

Taxable sales in the City and County are shown below. Taxable sales in the City increased by 56.8% between 2012 and 2016. Taxable sales in the County increased by 26.3% between 2012 and 2016.

TAXABLE SALES
City of Rocklin
2012-2016⁽¹⁾

Year	Number of Outlets	Total Taxable Sales (\$000)
2012	1,223	\$ 699,656
2013	1,219	710,901
2014	1,311	822,939
2015	1,532	954,238
2016	1,563	1,096,719

⁽¹⁾ Most recent data available as of the date of this Official Statement.

Source: California State Board of Equalization, Taxable Sales in California for 2012 through 2016.

TAXABLE SALES
Placer County
2012-2016⁽¹⁾

	Taxable Sales (\$000)				
	2012	2013	2014	2015	2016
Motor Vehicle and Parts Dealers	\$1,425,698	\$1,642,161	\$1,745,756	\$1,881,223	\$1,974,881
Home Furnishings and Appliance Stores	196,059	208,883	217,474	462,018	506,458
Building Material, Garden Equipment	358,769	417,970	451,171	472,316	491,511
Food and Beverage Stores	295,300	305,606	309,160	314,713	330,505
Gasoline Stations	862,567	856,928	882,496	878,864	790,761
Clothing and Accessories Stores	415,945	444,319	456,602	486,464	496,967
General Merchandise Stores	619,988	647,213	673,232	663,306	592,251
Food Services and Drinking Places	610,467	652,576	684,323	751,395	813,277
Service Stations					
Other Retail Stores				\$683,827	717,905
Total Retail Stores	\$5,613,981	\$6,050,198	\$6,296,076	\$6,594,126	\$6,814,515
All Other Outlets	\$1,451,616	\$1,674,208	\$1,804,091	\$2,081,189	\$2,106,377
Total All Outlets	\$7,065,597	\$7,724,406	\$8,100,167	\$8,675,315	\$8,920,892

⁽¹⁾ Most recent data available as of the date of this Official Statement.

Source: California State Board of Equalization, Taxable Sales in California for 2012 through 2016.

CONSTITUTIONAL AND STATUTORY PROVISIONS
AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

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

Article XIII B of the California Constitution

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. 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.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). The Accountability Act changed 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 districts and community college districts (collectively, “K-14 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, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts Appropriations Limits 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 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 schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & California Redevelopment Association v. Matosantos

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by voters on November 8, 2016, extends by twelve years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process.”

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the “Public School System Stabilization Account”) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

RATINGS

The Certificates were assigned an underlying rating of "A+" by S&P Global Ratings ("S&P"). The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them (which may include information and material from the District which is not included in this Official Statement). The rating is not a recommendation to buy, sell or hold the Certificates. The rating reflects only the view of the rating agency and an explanation of the significance of its rating may be obtained from it. There is no assurance that a rating of a rating agency will be maintained for any given period of time or that such rating may not be revised downward or withdrawn entirely by the rating agency, if in its own judgment, circumstances warrant. Any such downward change in or withdrawal may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the District has undertaken any responsibility after the execution and delivery of the Certificates to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P is expected to assign its insured rating of "AA" to the Certificates with the understanding that upon delivery of the Certificates, the Insurance Policy will be delivered by the Insurer. See also "CERTIFICATE INSURANCE." Such rating is expected to be assigned solely as a result of the issuance of the Insurance Policy and would reflect only such rating agency's view of the claims-paying ability and financial strength of the Insurer. Neither the Underwriter nor the District has made any independent investigation of the claims-paying ability of the Insurer and no representation is made that the insured rating of the Certificates based upon the purchase of the Insurance Policy will remain the same. The existence of the Insurance Policy will not, of itself, negatively affect the underlying ratings. However, any downward revision or withdrawal of any rating of the Insurer may have an adverse effect on the market price or marketability of the Certificates.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, special counsel to the District ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto.

To the extent the issue price of any scheduled principal payment of the Certificates is less than the amount payable on the scheduled principal payment date of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner

thereof, is treated as interest evidenced by the Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular scheduled principal payment date of the Certificates is the first price at which a substantial amount of such scheduled principal payment date of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any schedule principal payment date of the Certificates accrues daily over the term to the scheduled principal payment date of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on scheduled principal date) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than their principal evidenced thereby payable on the scheduled principal payment date thereof (or, in some cases, at their earlier prepayment date) (“Premium Certificates”) will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person), whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel’s attention after the date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Certificates may otherwise affect a Certificate holder’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to Certificates ends with the execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the District or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, will render its opinion with respect to the legality of the Lease Agreement and the Trust Agreement. A copy of its legal opinion will accompany the original delivery of each Certificate. The form of the legal opinion proposed to be delivered by Special Counsel is included as Appendix C to this Official Statement. Special Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, for the Underwriter by Kutak Rock LLP, for the District by Lozano Smith, and for the Corporation by Parker & Covert LLP. From time to time, Orrick, Herrington & Sutcliffe LLP may represent the Underwriter on matters unrelated to the Certificates.

MUNICIPAL ADVISOR

Capitol Public Finance Group (the "Municipal Advisor"), has been engaged by the District to perform financial services in connection with the delivery of the Certificates and certain other financial matters. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the District, threatened against the District (i) which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing Disclosure Certificate, (ii) contesting the validity of the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing Disclosure Certificate, the powers of the District to enter into or perform its obligations under the Lease Agreement, the Ground Lease, the Trust Agreement or the Continuing Disclosure Certificate, or the existence or powers of the District, or (iii) which, if determined adversely to the District, would materially impair the District's ability to meet its obligations under the Lease Agreement or materially and adversely affect the District's financial condition.

The District is occasionally subject to other 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.

UNDERWRITING

The Certificates are to be purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed, subject to certain terms and conditions set forth in the Certificate Purchase Agreement, dated _____, 2019, by and between the Underwriter and the District, to purchase the Certificates at a purchase price of \$_____ (which represents the aggregate principal amount of the Certificates, plus \$_____ of [net] original issue premium, and less \$_____ of Underwriter's discount). The Underwriter will purchase all the Certificates if any are purchased. The Certificates may be offered and sold to certain dealers (including dealers depositing said Certificates into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

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MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 Certificates.

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

ROCKLIN UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Lease Agreement, the Ground Lease, the Assignment Agreement and the Trust Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

“Acquisition Costs” means all costs of acquiring, constructing and installing the Project, including but not limited to:

- (a) all costs which the Corporation or the District shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;
- (b) all costs which the Corporation or the District shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;
- (c) obligations of the Corporation or the District incurred for services (including obligations payable to the Corporation or the District for actual out-of-pocket expenses of the Corporation or the District) in connection with the acquisition, construction and installation of any portion of the Project, including reimbursement to the Corporation or the District for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;
- (d) the actual out-of-pocket costs of the Corporation or the District for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of any portion of the Project, including administrative expenses under the Lease Agreement and the Trust Agreement relating to the acquisition, construction and installation of the Project;
- (e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and
- (f) any sums required to reimburse the Corporation or the District for advances made by the Corporation or the District for any of the above items or for any other costs incurred and for work done by the Corporation or the District which are properly chargeable to the Project.

“Acquisition Fund” means the fund by that name established in accordance with the Trust Agreement.

“Additional Rental Payments” means all amounts payable by the District as Additional Rental Payments pursuant to the Lease Agreement.

“Asbestos Containing Materials” means material in friable form containing more than 1% of the asbestiform varieties of (a) chrysotile (serpentine), (b) crocidolite (ricbeckite), (c) amosite (cummingtonite-grunerite), (d) anthophyllite, (e) tremolite, and (f) actinolite.

“Assignment Agreement” means the Assignment Agreement, dated as of the date of the Trust Agreement, by and between the Corporation and the Trustee, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Authorized Corporation Representative” means the Chairman of the Corporation, the Treasurer of the Corporation, the Secretary of the Corporation and the Executive Director of the Corporation, and any other person authorized by the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

“Authorized Denominations” means \$5,000 or any integral multiple thereof.

“Authorized District Representative” means the President of the Board of Trustees, the Clerk of the Board of Trustees and such other members of the Board of Trustees as the President may designate, the Superintendent of the District, the Deputy Superintendent, Business Services of the District, and such other officer or employee of the District as the Superintendent may designate, and any person authorized by the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement.

“Base Rental Deposit Date” means the 15th day next preceding each Interest Payment Date.

“Base Rental Payment Fund” means the fund by that name established in accordance with the Trust Agreement.

“Base Rental Payment Schedule” means the schedule of Base Rental Payments payable to the Corporation from the District pursuant to the Lease Agreement.

“Base Rental Payments” means all amounts payable to the Corporation by the District as Base Rental Payments pursuant to the Lease Agreement.

“Beneficial Owners” means those Persons for whom the Participants have caused the Depository to hold Book-Entry Certificates.

“Book-Entry Certificates” means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

“Business Day” means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the corporate trust office of the Trustee is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

“Certificate Purchase Agreement” means the Certificate Purchase Agreement, by and between the Purchaser and the District relating to the Certificates.

“Certificate Year” means each twelve-month period beginning on October 1 in each year and extending to the next succeeding September 30, both dates inclusive, except that the first Certificate Year shall begin on the Delivery Date and end on September 30, 2019.

“Certificates” means the Rocklin Unified School District 2019 Certificates of Participation (Capital Projects), executed and delivered by the Trustee pursuant to the Trust Agreement.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Delivery Date, executed by the District, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and its successors.

“Costs of Issuance” means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Certificates and the preliminary official statement and final official statement pertaining to the Certificates; rating agency fees; title insurance fees; market study fees; legal fees and expenses of counsel with respect to the execution and delivery of the Certificates; any computer and other expenses incurred in connection with the Certificates; the fees and expenses of the Trustee including fees and expenses of its counsel; the fees and expenses of any municipal advisor to the District; any premium for municipal bond insurance or reserve surety; and other fees and expenses incurred in connection with the execution of the Certificates, to the extent such fees and expenses are approved by the District.

“Costs of Issuance Fund” means the fund by that name established in accordance with the Trust Agreement.

“Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (d) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P, or any combination thereof.

“Delivery Date” means the date of delivery of the Certificates.

“Depository” means the securities depository acting as Depository pursuant to the Trust Agreement.

“District” means the Rocklin Unified School District, a school district organized and existing under the laws of the State of California, and its successors.

“DTC” means The Depository Trust Company, New York, New York and its successors.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”),

the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Fair Rental Value” means, with respect to the Property, the annual fair rental value thereof, as set forth in the Lease Agreement.

“Ground Lease” means the Ground Lease, dated as of the date of the Trust Agreement, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Lease Agreement.

“Hazardous Materials” has the meaning set forth in the Lease Agreement.

“Independent Insurance Consultant” means a nationally recognized independent actuary, insurance company or broker acceptable to the Insurer that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

“Insurance Business Day” means any day other than (a) a Saturday or Sunday, (b) any day on which the offices of the Trustee or the Insurer are closed, and (c) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York.

“Insurance Policy” means the Municipal Bond Insurance Policy, and any endorsement thereto, issued by the Insurer guaranteeing the scheduled payment of the interest and principal evidenced by the Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“Insurer Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (the “Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest evidenced by the Certificates, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. Interest at the Insurer Rate shall be computed on the basis of the actual days elapsed over a year of 360 days. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime rate or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate.

“Insurer’s Fiscal Agent” means a fiscal agent appointed by the Insurer for purposes of, and in accordance with the terms contained in, the Insurance Policy.

“Interest Fund” means the fund by that name established in accordance with the Trust Agreement.

“Interest Payment Date” means April 1 and October 1 of each year commencing October 1, 2019.

“Laws and Regulations” has the meaning set forth in the Lease Agreement.

“Lease Agreement” means the Lease Agreement, dated as of the date of the Trust Agreement, by and between the District and the Corporation, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

“Mandatory Sinking Account Payment” means the principal evidenced by the Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the Trust Agreement.

“Mandatory Sinking Account Payment Date” means, for the Certificates with a stated Principal Payment Date of October 1, 20__, October 1, 20__, and each October 1 thereafter continuing through and including October 1, 20__.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Net Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

“Outstanding,” when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement relating to disqualified Certificates) all Certificates except:

- (a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;
- (b) Certificates paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement described under the heading “DEFEASANCE – Certificates Deemed to Have Been Paid”; and
- (c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the provisions of the Trust Agreement described under the heading “TERMS AND CONDITIONS OF CERTIFICATES – Certificates Mutilated, Lost, Destroyed or Stolen.”

“Owner” means any person who shall be the registered owner of any Outstanding Certificate as indicated in the Registration Books.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, with respect to the Property, as of any particular time, (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement described under the heading “MISCELLANEOUS – Taxes,” permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally would exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the District, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Delivery Date which the District certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date which the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation and the Insurer consents in writing.

“Permitted Investments” means the following:

(a) 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), and obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America (“Federal Securities”);

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand deposit accounts or time deposits (including certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee)), trust funds, trust accounts, other deposit products, overnight bank deposits, interest bearing deposits or interest bearing money market accounts in a federal or state chartered bank (including the Trustee and its affiliates) or a state licensed branch of a foreign bank or a state or federal association (as defined in Section 5102 of the California Financial Code), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by S&P, or (ii) such demand deposit accounts or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances (including those of the Trustee or any of its affiliates), consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short term rating category by S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P;

(h) money market mutual funds which are rated Am or better by S&P, including funds for which the Trustee and its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(i) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or corporation, the long-term unsecured obligations of which are or, in the case of an insurance company, the long term financial strength of which is, rated "AA-" or better by S&P at the time of initial investment; provided, that the investment agreement shall be subject to a downgrade provision with at least the following requirements:

(1) the agreement shall provide that within ten Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, or reduced below "AA-" by S&P (such events referred to as "rating downgrades") the financial institution shall give notice to the District and the Trustee and, within such ten-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Trustee Federal Securities with an aggregate current market value equal to at least 105% of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional Federal Securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and

(2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A-" by S&P, the financial institution shall give notice of the downgrade to the District and the Trustee within five Business Days, and the Trustee may, upon direction from the District and five Business Days' written notice to the financial institution, withdraw all amounts invested pursuant to the investment agreement, with accrued but unpaid interest thereon to the withdrawal date, and terminate the agreement.

(j) repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; (ii) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity (or entity whose obligations are guaranteed by an affiliate or parent company) rated at least "A" by S&P and Moody's, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P and Moody's in respect of repurchase agreements shall be met, to the extent such requirements are provided to the Trustee; and

(5) the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3" respectively, the provider must immediately notify the District and Trustee and the provider must, at the direction of the District or the Trustee (acting at the direction of the District), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

"Person" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Policy Payments Account" means the account by that name established in accordance with the Trust Agreement.

"Prepayment Fund" means the fund by that name established in accordance with the Trust Agreement.

"Principal Fund" means the fund by that name established in accordance with the Trust Agreement.

"Principal Office" means the Trustee's principal corporate trust office in Los Angeles, California, or any other office designated by the Trustee, provided, however that solely for purposes of presentation of Certificates for payment, transfer or exchange, such office shall be the corporate trust agency or operations office of the Trustee.

"Principal Payment Date" means a date on which the principal evidenced by the Certificates becomes due and payable, as a result of the maturity thereof.

"Project" consists of the construction and expansion of Ruhkala Elementary School to accommodate enrollment growth.

"Property" means the real property described in the Lease Agreement and any improvements thereto.

“Purchaser” means Stifel, Nicolaus & Company, Incorporated, as underwriter and purchaser of the Certificates pursuant to the Certificate Purchase Agreement.

“Rebate Fund” means the fund by that name established in accordance with the Trust Agreement.

“Rebate Requirement” has the meaning ascribed thereto in the Tax Certificate.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement.

“Release” has the meaning set forth in the Lease Agreement.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Delivery Date through June 30, 2019 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Lease Agreement.

“Reserve Facility” means the Reserve Policy and any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to the Trust Agreement.

“Reserve Fund” means the fund by that name established in accordance with the Trust Agreement.

“Reserve Insurer” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Reserve Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof.

“Reserve Requirement” means an amount equal to the least of (a) the maximum amount of Base Rental Payments coming due in any Certificate Year, (b) 10% of the original aggregate principal amount of the Certificates, and (c) 125% of the average amount of remaining Base Rental Payments coming due in each Certificate Year.

“S&P” means S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

“Scheduled Termination Date” means October 1, 20__.

“Tax Certificate” means the Tax Certificate executed by the District at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Trust Agreement” means the Trust Agreement, dated as of June 1, 2019, by and among the Trustee, the Corporation and the District, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Trust Agreement substituted in its place as provided in the Trust Agreement.

“Verification Report” means, with respect to the deemed payment of Certificates pursuant to clause (ii) of subsection (a) of the provisions of the Trust Agreement described under the heading “DEFEASANCE – Certificates Deemed To Have Been Paid,” a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment to satisfy the requirements of clause (ii) of subsection (a) of the provisions of the Trust Agreement described under the heading “DEFEASANCE – Certificates Deemed To Have Been Paid.”

“Written Certificate of the Corporation” means a written certificate signed in the name of the Corporation by an Authorized Corporation Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Written Certificate of the District” or **“Written Request of the District”** means, respectively, a written certificate or written request signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE GROUND LEASE

Lease of The Property; Rental

Lease of Property. The District leases to the Corporation, and the Corporation leases from the District, for the benefit of the Owners of the Certificates, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Ground Lease.

Rental. The Corporation shall pay, or cause to be paid, to the District as and for rental of the Property under the Ground Lease, an amount set forth in the Ground Lease (the “Ground Lease Payment”). The Ground Lease Payment shall be paid from the proceeds of the Certificates; provided, however, that in the event the available proceeds of the Certificates are not sufficient to enable the Corporation to pay such amount in full, the remaining amount of the Ground Lease Payment shall be reduced to an amount equal to the amount of such available proceeds. The District shall deposit the Ground Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project.

Pursuant to the Ground Lease, the Corporation and the District find and determine that the amount of the Ground Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed under the Ground Lease by the District to the Corporation. No other amounts of rental shall be due and payable by the Corporation for the use and occupancy of the Property under the Ground Lease.

Quiet Enjoyment

The parties intend that the Property will be leased back to the District pursuant to the Lease Agreement for the term thereof. It is further intended that, to the extent provided in the Ground Lease and in the Lease Agreement, if an event of default occurs under the Lease Agreement, the Corporation, or its assignee, will have the right, for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. Subject to any rights the District may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the District covenants and agrees that it will not take any action to prevent the Corporation from having quiet and peaceable possession and enjoyment of the Property during the term of the Ground Lease and will, at the request of the Corporation and at the District's cost, to the extent that it may lawfully do so, join in any legal action in which the Corporation asserts its right to such possession and enjoyment.

Special Covenants and Provisions

Waste. The Corporation agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The District and the Corporation agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Ground Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Ground Lease, the Trust Agreement and the Lease Agreement.

Waiver of Personal Liability. All liabilities under the Ground Lease on the part of the Corporation shall be solely liabilities of the Corporation as a nonprofit public benefit corporation, and the District releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under the Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the District or to any other party whomsoever for anything done or omitted to be done by the Corporation under the Ground Lease.

All liabilities under the Ground Lease on the part of the District shall be solely liabilities of the District as a school district, and the Corporation releases each and every member, officer and employee of the District of and from any personal or individual liability under the Ground Lease. No member, officer or employee of the District shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the Corporation or to any other party whomsoever for anything done or omitted to be done by the District under the Ground Lease.

Taxes. The District covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The District reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the District. The District represents and warrants to the Corporation, the Insurer and the Trustee as follows:

(a) the District has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution of the Ground Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for school purposes as contemplated by the District;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the District in order for the District to perform its governmental function relating to public education.

Representations of the Corporation. The Corporation represents and warrants to the District and the Trustee that the Corporation has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution and delivery of the Ground Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Ground Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Corporation, with the prior written consent of the Insurer, or at the direction of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), without the necessity of obtaining the consent of the District, if an event of default occurs under the Lease Agreement. The Corporation shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the District a true and correct copy of such assignment, sublease or sale, as the case may be.

The District understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery of the Ground Lease), all right, title and interest of the Corporation in and to the Ground Lease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The District consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions thereof to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation, subject to the exceptions in the Assignment Agreement.

Restrictions on District. The District agrees that, except with respect to Permitted Encumbrances and except as provided in the Ground Lease, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

Improvements

Title to all improvements made on the Property during the term of the Ground Lease shall vest in the District, but shall be subject to the terms of the Ground Lease.

Term; Termination

Term. The term of the Ground Lease shall commence as of the date of commencement of the term of the Lease Agreement and shall remain in full force and effect from such date to and including the

Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Ground Lease.

Extension; Early Termination. If, on the Scheduled Termination Date, the Certificates shall not be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of the Ground Lease shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, except that the term of the Ground Lease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, the term of the Ground Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Corporation under the Ground Lease, the District shall have all the rights and remedies permitted by law, except the District, to the extent permitted by law, waives any and all rights to terminate the Ground Lease.

Miscellaneous

Amendments; Substitution and Release. The Ground Lease may be amended, changed, modified, altered or terminated (subject to the prior written consent of the Insurer) only in accordance with the provisions of the Lease Agreement. The District shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Lease Agreement.

Assignment to Trustee; Third-Party Beneficiaries. The Corporation and District acknowledge that the Corporation has assigned certain of its right, title and interest in and to the Ground Lease to the Trustee pursuant to the Assignment Agreement. The District consents to such assignment. The District consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee and the Insurer as set forth therein. As a material inducement to the Trustee and the Insurer, the Corporation and the District agree that the Trustee and the Insurer shall be third-party beneficiaries of the Ground Lease.

Governing Law. The Ground Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

THE LEASE AGREEMENT

Lease of Property; Term

Lease of Property. The Corporation leases to the District and the District leases from the Corporation the Property, on the terms and conditions set forth in the Lease Agreement and subject to all Permitted Encumbrances.

The leasing of the Property by the District to the Corporation pursuant to the Ground Lease shall not effect or result in a merger of the District's leasehold estate in the Property as lessee under the Lease Agreement and its fee estate in the Property as lessor under the Ground Lease, and the Corporation shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and of the Lease Agreement. The Lease Agreement shall constitute a sublease with respect to the Property.

The leasehold interest in the Property granted by the District to the Corporation pursuant to the Ground Lease is and shall be independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest in the Property granted to the Corporation under the Ground Lease.

Term; Occupancy. The term of the Lease Agreement shall commence on the Delivery Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on the Scheduled Termination Date the Certificates shall not be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, then the term of the Lease Agreement shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date. If prior to the Scheduled Termination Date, or prior to the date to which the term of the Lease Agreement has been extended pursuant to the Lease Agreement, all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, the term of the Lease Agreement shall end simultaneously therewith.

The District shall take possession of the Property on the Delivery Date.

Rental Payments

Base Rental Payments. (a) *General.* Subject to the provisions of the Lease Agreement relating to a revision of the Base Rental Payment Schedule pursuant to paragraph (b) below, the District shall pay to the Corporation, as Base Rental Payments (subject to the provisions of the Lease Agreement relating to rental abatement, eminent domain and prepayment) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments shall constitute principal components and a portion of which shall constitute interest components. The interest components of the Base Rental Payments shall be paid by the District as and constitute interest paid on the principal components of the Base Rental Payments. Except to the extent specified in the rental abatement provisions of the Lease Agreement, Rental Payments, including Base Rental Payments, shall be paid by the District to the Corporation for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

(b) *Payments other than Regularly Scheduled Payments.* If the term of the Lease Agreement shall have been extended pursuant to the provisions thereof, the obligation of the District to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Lease Agreement (as so extended pursuant to the provisions thereof). Upon such extension, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components;

provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The District shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District therein;

(b) all reasonable administrative costs of the Corporation relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Corporation or the District under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Trust Agreement or the Lease Agreement or to defend the Corporation and its members, directors, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the Lease Agreement;

(d) any amounts with respect to the Lease Agreement or the Certificates required to be rebated to the federal government in accordance with Section 148(f) of the Code; and

(e) all other payments not constituting Base Rental Payments required to be paid by the District under the provisions of the Lease Agreement or the Trust Agreement, including amounts payable to the Insurer or the Reserve Insurer.

Amounts constituting Additional Rental Payments payable under the Lease Agreement shall be paid by the District directly to the person or persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the District stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Lease Agreement have agreed and determined that the Rental Payments are not in excess of the Fair Rental Value of the Property. In making such determination of Fair Rental Value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom that will accrue to the District and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total base rental for said Rental Period.

Payment Provisions. Each installment of Base Rental Payments payable under the Lease Agreement shall be paid in lawful money of the United States of America to or upon the order of the Trustee, as assignee of the Corporation, at the Principal Office of the Trustee, or such other place or entity as the Trustee shall designate. Each Base Rental Payment shall be deposited with the Trustee, as assignee of the Corporation, no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which shall not be paid by the District when due and payable under the terms of the Lease Agreement shall bear interest from the date when the same is due thereunder until the same shall be paid (a) at the Insurer Rate to the extent that (i) such Base Rental Payment has been paid to the Owners, on behalf of the District, by the Insurer pursuant to the Insurance Policy or (ii) such Base Rental Payment has been paid to the Owners, on behalf of the District, from moneys on deposit in the Reserve Fund as a result of a payment under the Reserve Policy, or (b) in all other cases, at

the rate equal to the highest rate of interest evidenced by any of the Outstanding Certificates. Notwithstanding any dispute between the Corporation and the District, the District shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the District was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the District with the Trustee pursuant to the provisions of the Lease Agreement summarized in this paragraph on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Appropriations Covenant. The District covenants to take such action as may be necessary to include all Rental Payments due under the Lease Agreement in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Rental Abatement. (a) Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately based on the percentage of the Property that is made unavailable for the District's use and occupancy and the percentage of the Property that is not made unavailable for the District's use and occupancy as a result of such damage, destruction, condemnation or title defect, and the District waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The District and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. The District and the Corporation shall provide the Trustee and the Insurer with a certificate setting forth the amount of abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and, to the extent necessary to pay extended and unpaid Rental Payments, the term of the Lease Agreement shall be extended as provided therein, except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments shall not be abated as provided above but, rather, shall be payable by the District as a special obligation payable solely from said funds and accounts.

Maintenance; Alterations and Additions

Maintenance and Utilities. Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all

utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Rental Payments, the Corporation agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Lease Agreement summarized under the heading “COVENANTS – Liens,” the District and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to the provisions of the Lease Agreement summarized in this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Installation of District’s Equipment. The District and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. The District or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement shall prevent the District or any sublessee from purchasing items to be installed pursuant to the provisions of the Lease Agreement summarized in this paragraph under a conditional sale or lease purchase contract, or subject to a vendor’s lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Insurance

Property Casualty Insurance; Rental Interruption Insurance. (a) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the District, the Corporation and their respective members, directors, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The District’s obligations under this paragraph may be maintained in whole or in part in the form of self-insurance by the District, provided that such self-insurance complies with the provisions of the Lease Agreement.

(b) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the District in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the District's obligations under the Lease Agreement summarized in this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement summarized under the heading "INSURANCE – Self-Insurance."

(c) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Property, subject to a \$100,000 loss deductible provision, unless some other deductible is acceptable to the Insurer. Full insurable value shall not be less than the principal evidenced by the Outstanding Certificates. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Trust Agreement. The District's obligations under the Lease Agreement summarized in this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

(d) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to the provisions of the Lease Agreement summarized in paragraph (c) above in an amount equal to the lesser of (i) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period or (ii) such lesser amount as may be agreed to by the Insurer. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Trust Agreement. The District's obligations under the Lease Agreement summarized in this paragraph may not be satisfied by self-insurance.

(e) The insurance required by the Lease Agreement shall be provided by carriers rated at least "A" by A.M. Best Company or S&P, unless the Insurer shall approve in writing an insurer with a lower rating.

Title Insurance. The District shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate amount of principal evidenced by the Certificates. Said policy or policies shall insure (a) the fee interest of the District in the Property, (b) the Corporation's ground leasehold estate in the Property under the Ground Lease, and (c) the District's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of title insurance obtained pursuant to the Lease Agreement or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

Additional Insurance Provision; Form of Policies. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the provisions of the Lease Agreement summarized under the heading "INSURANCE – Property Casualty Insurance; Rental Interruption Insurance," and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall

contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee as an additional insured. All such policies shall provide that the Trustee and the Insurer shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee; provided, however, that the Trustee shall not agree to any adjustment, compromise or settlement without the Insurer's written consent.

Upon the request of the Trustee or Insurer, the District shall cause to be delivered to the Trustee and the Insurer on or before August 15 of each year, commencing August 15, 2019, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Certificate of the District stating that such policies are in full force and effect and that the District is in full compliance with the requirements of the provisions of the Lease Agreement summarized under the heading "INSURANCE." The District shall, upon request of the Insurer, deliver to the Insurer certificates or duplicate originals or certified copies of each insurance policy described in such schedule. The Trustee shall be entitled to rely upon said Certificate of the District as to the District's compliance with the provisions of the Lease Agreement summarized under the heading "INSURANCE." Neither the Trustee nor the Insurer shall be responsible for the sufficiency of coverage or amounts of such policies. All policies of insurance required by the Lease Agreement shall be in form satisfactory to the Insurer.

Self-Insurance. Any self-insurance maintained by the District pursuant to the Lease Agreement shall comply with the following terms:

- (a) the self-insurance program shall be approved in writing by the Insurer and an Independent Insurance Consultant;
- (b) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the Independent Insurance Consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of such Independent Insurance Consultant;
- (c) the self-insured claims reserve fund shall be held in a separate trust fund; and
- (d) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the Independent Insurance Consultant, shall be maintained.

Defaults and Remedies

Defaults and Remedies. (a) (i) If the District shall fail (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained therein or in the Trust Agreement to be kept or performed by the District, or (ii) upon the happening of any of the events specified in paragraph (b) below, the District shall be deemed to be in default under the Lease Agreement and it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. In determining whether a default has occurred under clause (i)(A) of the preceding sentence, no effect shall be given to payments made under the Insurance Policy. The District shall in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the District

shall have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days without the prior written consent of the Insurer, to correct any such default after notice by the Corporation or the Insurer to the District properly specifying wherein the District has failed to perform any such covenant, condition or agreement. Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner provided on account of default by the District, notwithstanding any re-entry or re-letting of the Property as provided for in subparagraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Lease Agreement shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(2) Without terminating the Lease Agreement, (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the District, regardless of whether the District has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for in subparagraph (1) above, the District shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided in the Lease Agreement for the payment of Rental Payments thereunder, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Corporation elect to re-enter as provided in the Lease Agreement, the District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to re-let the Property, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property

whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District, and the District indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The District further agrees to pay the Corporation the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

Pursuant to the Lease Agreement, the District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District, or any other person, that may be in or upon the Property.

(b) If (i) the District's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation and the Insurer, as provided in the Lease Agreement, (ii) the District or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations, or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District shall be appointed by any court, except a receiver appointed at the instance or request of the Corporation, or if the District shall make a general assignment for the benefit of the District's creditors, or (iii) the District shall abandon or vacate the Property, then the District shall be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Corporation shall be entitled to proceed to protect and enforce the rights vested in the Corporation by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the District and of its board, officers or employees shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation shall have the right to bring the following actions:

(i) *Accounting.* By action or suit in equity to require the District and its board, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction.* By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(iii) *Mandamus.* By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's rights against the District (and its board, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided in the Lease Agreement.

Each and all of the remedies given to the Corporation under the Lease Agreement or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease Agreement shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Lease Agreement shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Property. If any statute or rule of law validly shall limit the remedies given to the Corporation under the Lease Agreement, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the District agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Corporation shall have no right upon a default under the Lease Agreement by the District or otherwise to accelerate Rental Payments. Notwithstanding anything to the contrary contained in the Lease Agreement, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, no remedy shall be exercised under the Lease Agreement without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy thereunder.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Corporation on account of a default by the District under the provisions of the Lease Agreement summarized under the heading "DEFAULTS AND REMEDIES – Defaults and Remedies," shall not effect or result in a termination of the lease of the Property by the District to the Corporation pursuant to the Ground Lease.

Waiver. Failure of the Corporation to take advantage of any default on the part of the District shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Corporation to insist upon performance by the District of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement shall not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the District) shall be taken under the power of eminent domain, the term of the Lease Agreement shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the District at the time of such taking, then the Lease Agreement shall continue in full force and effect as to such remainder, and the parties

waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Certificates shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the prepayment of Certificates as provided in the prepayment and application of Net Proceeds provisions of the Trust Agreement. Any such award made after all of the Certificates, and all other amounts due under the Trust Agreement and the Lease Agreement, have been fully paid, shall be paid to the Corporation and to the District as their respective interests may appear.

Prepayment

(a) The District may prepay all or a portion of the Base Rental Payments which are payable on or after October 1, 2027, from any source of available funds, on any date on or after October 1, 2026 by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the defeasance provisions of the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the provisions of the Lease Agreement summarized in paragraph (a) above.

(c) If less than all of the Base Rental Payments are prepaid pursuant to the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, or the date of a deposit pursuant to the provisions of the Lease Agreement summarized in paragraph (b) above, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account. The District agrees that if, following a partial prepayment of Base Rental Payments, the Property is damaged, destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the District shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the District shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid pursuant to the Lease Agreement and if all amounts due to the Insurer have been paid in full then, as of the date of such prepayment pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, or deposit pursuant to the provisions of the Lease Agreement summarized in paragraph (b) above, the term of the Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to the Lease Agreement shall be applied to the prepayment of Certificates as provided in the prepayment provisions of the Trust Agreement.

(f) Before making any prepayment pursuant to the Lease Agreement, the District shall give written notice to the Corporation and the Insurer specifying the date on which the prepayment will be made, which date shall be not less than 40 nor more than 60 days from the date such notice is given, unless the Corporation agrees to a different notice period.

Covenants

Right of Entry. The Corporation shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any reasonable purpose connected with the Corporation's rights or obligations under the Lease Agreement, and for all other lawful purposes. The Insurer shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any reasonable purpose connected with the Insurer's rights or obligations under the Lease Agreement.

Liens. In the event the District shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the District shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Corporation's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the District desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District shall forthwith pay and discharge said judgment.

Quiet Enjoyment. The parties to the Lease Agreement mutually covenant that the District, by keeping and performing the covenants and agreements contained therein, shall at all times during the term thereof peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Corporation.

Corporation Not Liable. The Corporation and its directors, officers, agents and employees, shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property or the Project. To the extent permitted by law, the District shall, at its expense, indemnify and hold the Corporation, the Insurer and the Trustee and all directors, members, officers, agents and employees thereof harmless against and from any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or the Project or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the Project or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The District also covenants and agrees, at its expense, to pay and indemnify and save the Corporation, the Insurer and the Trustee and all directors, officers, agents and employees thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the District in the performance of any covenant or agreement to be performed by the District pursuant to the Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in the provisions of the Lease Agreement summarized under the heading "COVENANTS – Corporation Not Liable," but excepting the negligence or willful misconduct of the person or entity seeking indemnity. In the event that any action or proceeding is brought against the Corporation, the Insurer or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the District, upon notice from the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof, covenants to resist or defend such action or proceeding by counsel

reasonably satisfactory to the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof.

Notwithstanding the fact that it is the intention of the parties that the Corporation, the Insurer and the Trustee and all officers and directors thereof shall not incur any pecuniary liability by reason of the terms of the Lease Agreement, or the undertakings required of the Corporation or the Trustee thereunder or any director, officer or employee thereof, by reason of the execution and delivery of the Certificates, by reason of the execution or authorization of any document or certification in connection with the Certificates including, but not limited to, the Trust Agreement, the Lease Agreement, or any preliminary or final official statement, by reason of the performance or nonperformance of any act required of any of them by the Lease Agreement or the Trust Agreement or by reason of the performance or nonperformance of any act requested of any of them by the District, the Corporation, the Insurer or the Trustee, including all claims, liabilities, damages, losses or expenses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Corporation, the Insurer or the Trustee or any officer or director thereof should incur any such pecuniary liability, then in such event the District shall indemnify and hold harmless the Corporation, the Insurer and the Trustee, and all directors, officers and employees thereof, against all claims by or on behalf of any person, firm, corporation or governmental authority arising out of the same, or in connection with any action or proceeding brought thereon, but excepting the negligence or willful misconduct of the person or entity seeking indemnity, and upon notice from the Corporation, the Insurer or the Trustee, the District shall defend the Corporation, the Insurer and the Trustee in any such action or proceeding. The provisions of the Lease Agreement summarized under the heading "COVENANTS – Corporation Not Liable," shall survive the termination of the Lease Agreement for any claim, proceeding or action arising from any event or omission occurring during the term of the Lease Agreement and the earlier removal or resignation of the Trustee.

Assignment and Subleasing. Neither the Lease Agreement nor any interest of the District thereunder shall be sold, mortgaged, pledged, assigned, or transferred by the District by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the District with the prior written consent of the Corporation and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and provided further that, any such sublease shall be subject to all of the following conditions:

- (a) the Lease Agreement and the obligation of the District to make all Rental Payments thereunder shall remain the primary obligation of the District;
- (b) the District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;
- (c) no such sublease by the District shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California; and
- (d) any sublease of the Property by the District shall explicitly provide that such sublease is subject to all rights of the Corporation under the Lease Agreement, including the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the District.
- (e) the District shall furnish the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes and an officer's certificate stating that the provisions of this section have been complied with.

Title to Property upon Termination. Upon the termination or expiration of the Lease Agreement (other than as provided in the defaults and remedies, eminent domain and prepayment provisions of the Lease Agreement), and the first date upon which the Certificates are no longer Outstanding, all right, title and interest in and to the Property shall vest in the District. Upon any such termination or expiration, the Corporation shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Representations of the District. The District represents and warrants that (a) the District has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Trust Agreement, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement and the Trust Agreement, and (b) the Property is not located in a 100 year flood plain.

Representation of the Corporation. The Corporation represents and warrants that the Corporation has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Assignment Agreement and the Trust Agreement, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement, the Assignment Agreement and the Trust Agreement.

Compliance with Law, Regulations, Etc. (a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in this paragraph (a) and paragraph (b) below or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the Corporation or the District, the Property or the business operations conducted by the Corporation or the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (collectively "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties of the Lease Agreement summarized in paragraph (a) above with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school buildings, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property, respectively.

(d) The District has not received any notice from any insurance company which has issued a policy with respect to the Property or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Property, respectively. The District has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement, agreement or other easement affecting the Property which is to be performed or complied with by it.

Environmental Compliance. (a) Neither the District nor the Corporation shall use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then only in compliance with all Environmental Regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee or agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of school districts, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the Corporation or the District shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained in the Lease Agreement, underground storage tanks shall only be permitted subject to compliance with the provisions of the Lease Agreement summarized in paragraph (d) below and only to the extent necessary to maintain the improvements on the Property.

(b) The District and the Corporation shall comply with, and shall cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and shall keep the Property free and clear of any liens imposed pursuant thereto (provided, however, that any such liens, if not discharged, may be bonded). The District and the Corporation shall cause each tenant under any lease, and use their best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Property; provided, however, that notwithstanding that a portion of this covenant is limited to the District's and Corporation's use of its best efforts, the Corporation and the District shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the Corporation's or the District's obligations contained in the provisions of the Lease Agreement summarized in paragraph (c) below. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District or the Corporation, as appropriate, shall give prompt written notice thereof to the District or the Corporation, as appropriate, the Trustee and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the provisions of the Lease Agreement described under the heading "COVENANTS – Compliance with Law, Regulations, Etc." is not true or correct, the Corporation and the District shall, to the extent permitted by law, defend, indemnify and hold harmless the Trustee, the Owners, the Insurer and each of their employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the provisions of the Lease Agreement described under the heading "COVENANTS – Environmental Compliance"), consultants' fees, investigation and laboratory fees, liabilities, settlements

(five Insurance Business Days' prior notice of which the Corporation, the Trustee or the Insurer, as appropriate, shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Insurance Business Days' prior notice of which the Corporation, the Trustee or the Insurer, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the provisions of the Lease Agreement summarized in paragraphs (a) or (b) above by either of them or any of their agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that either the Corporation or the District is strictly liable under any Environmental Regulation, its obligation to the Trustee, the Owners and the Insurer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the provisions of the Lease Agreement summarized in this paragraph (c) shall survive the payment of all Certificates and the discharge of the Trust Agreement.

(d) The District shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Condemnation. To the extent it may lawfully do so, the District covenants and agrees that so long as the Certificates are Outstanding, the District will not exercise the power of condemnation with respect to the Property. To the extent it may lawfully do so, the District further covenants and agrees that, if for any reason the foregoing covenant is determined to be unenforceable or if the District shall fail or refuse to abide by such covenant and condemns the Property, the value of the District's leasehold estate under the Lease Agreement in the Property shall be not less than the amount sufficient to pay the Base Rental Payments to the first date on which they may be prepaid pursuant to the prepayment provisions of the Lease Agreement and to prepay the Base Rental Payments on such date.

Other Obligations. Except for the Certificates and Permitted Encumbrances, the District shall not, during the term of the Lease Agreement, issue or incur or cause to be executed and delivered, directly or indirectly, any additional certificates of participation, notes, bonds or other indebtedness that are either (a) payable from or secured by lease payments or rentals payable under the Lease Agreement, or (b) secured by, or granted a lien on, the Property.

No Consequential Damages; Use of the Property; Substitution or Release

No Consequential Damages. In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the District's use of the Property.

Use of the Property. The District will not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the District agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the

Corporation, adversely affect the estate of the Corporation in and to any of the Property or its interest or rights under the Lease Agreement.

Substitution or Release of the Property. The District shall have the right, but only upon the written consent of the Insurer, to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement pursuant to the Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the District. Notwithstanding any substitution or release pursuant to the Lease Agreement, there shall be no reduction in or abatement of the Base Rental Payments due from the District under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are conditions precedent to such substitution or release:

(a) a certified real estate appraiser shall have found (and shall have delivered a certificate to the District, the Insurer and the Trustee setting forth its findings) that the Property, as constituted after such substitution or release, (i) has an annual fair rental value greater than or equal to 100% of the maximum amount of Base Rental Payments payable by the District in any Rental Period, and (ii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release;

(b) the District shall have obtained or caused to be obtained a CLTA or an ALTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by a certified real estate appraiser), of the type and with the endorsements described in the Lease Agreement;

(c) the District shall have provided the Trustee with: (i) an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes and (ii) an officer's certificate stating that the terms of this section have been complied with;

(d) the District shall have given, or shall have made arrangements to be given any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) the District, the Corporation and the Trustee shall have executed, and the District shall have caused to be recorded with the Placer County Recorder, any document necessary to reconvey to the District the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(f) the District shall have certified to the Corporation, the Trustee and the Insurer that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property for which it is being substituted.

Miscellaneous

Governing Law. The Lease Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Net-Net-Net Lease. The Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the District thereby agrees that the Rental Payments shall be an absolute net return to the

Corporation, free and clear of any expenses, charges or set-off whatsoever and notwithstanding any dispute between the District and the Corporation.

Taxes. The District shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

After giving notice to the Corporation, the Insurer and the Trustee, the District or any sublessee may, at the District's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation, the Insurer or the Trustee shall notify the District or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the District or such sublessee shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation, the Insurer and the Trustee.

Amendments. (a) The Lease Agreement and the Ground Lease, and the rights and obligations of the Corporation and the District thereunder, may be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Corporation, but only with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, provided that no such amendment shall (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Insurer and the Owner of each Certificate so affected, or (ii) reduce the percentage of the aggregate amount of principal evidenced by the Certificates, the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease without the prior written consent of the Insurer and the Owners of all the Certificates then Outstanding.

(b) The Lease Agreement and the Ground Lease, and the rights and obligations of the District and the Corporation thereunder, may also be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Corporation, but without the written consents of any Owners, but only with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved therein to or conferred therein on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Corporation or the District may deem desirable or necessary and not inconsistent therewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest components of Base Rental Payments;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement; or

(v) to make such other changes therein or modifications thereto as the Corporation or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Insurer or the Owners.

Rights of Insurer. As long as the Insurance Policy is in effect and the Insurer is not in default in respect of its payment obligations thereunder, the Insurer shall be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment or supplement to the Lease Agreement and the Ground Lease which requires the consent or approval of the Owners of a majority of the principal evidenced by the Certificates then Outstanding; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement the Lease Agreement or the Ground Lease which seeks to amend or supplement to the Lease Agreement or the Ground Lease for the purposes set forth in the Lease Agreement, and, provided, further, that the Insurer shall not be deemed the sole and exclusive Owner of the Outstanding Certificates for such purposes, and shall not have the right to direct District, Corporation, Trustee or Owner action, during any period if:

(a) the Insurer shall fail to make any payment under the Insurance Policy when due and such failure shall continue for three Business Days;

(b) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(c) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Lease Agreement.

Assignment to Trustee; Effect. The District understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery of the Lease Agreement), all right, title and interest of the Corporation in and to the Lease Agreement will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The District consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions of the Lease Agreement the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation, subject to the exceptions in the Assignment Agreement.

THE ASSIGNMENT AGREEMENT

Assignment. Pursuant to the Assignment Agreement, the Corporation, for good and valuable consideration, the receipt of which is acknowledged, does sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided, however, that the Corporation shall retain its obligations, the rights to indemnification, to give consents and approvals under, and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement and the Ground Lease. The assignment is absolute and is effective, as of the effective date of the Assignment Agreement. All rights assigned by the Corporation shall be administered by the Trustee in accordance with the provisions of the Trust Agreement.

Acceptance. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Trust Agreement, and all of the Base Rental Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Ground Lease, the Lease Agreement and the Trust Agreement.

The Trustee shall have the same rights, protections, immunities and indemnities hereunder as offered to it under the Trust Agreement and the Lease Agreement.

Conditions. The Assignment Agreement shall impose no obligations whatsoever upon the Trustee beyond those expressly provided in the Lease Agreement and the Trust Agreement.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Assignment Agreement.

Amendment. The Assignment Agreement shall not be amended or supplemented without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

Governing Law. The Assignment Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

THE TRUST AGREEMENT

Terms and Conditions of Certificates

Certificate Registration Books. (a) The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the Trustee, the Insurer and the District at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement.

(b) The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Transfer and Payment of Certificates; Exchange of Certificates. Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office of the Trustee in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and disposed of in a manner deemed appropriate by the Trustee. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Purchaser shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under the provisions of the Trust Agreement summarized in this paragraph and of the expenses which may be incurred by it under such provisions. Any Certificate executed and delivered under the provisions of the Trust Agreement summarized in this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits thereof with all other Certificates executed and delivered under the Trust Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the District.

Cooperation by the District. The District shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby the Certificates shall be made available for exchange, registration and transfer at the Principal Office of the Trustee.

Book-Entry System. (a) The Certificates shall initially be executed and delivered as Book-Entry Certificates and the Certificates for each stated Principal Payment Date shall be in the form of a separate single fully registered Certificate (which may be typewritten). The ownership of each Book-Entry Certificate shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book-Entry Certificates. Without limiting the immediately preceding sentence, the District, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Certificates to be prepaid in the event Certificates are prepaid in part, (iv) the payment to any Participant or any other person, other than an Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(c) The District and the Trustee may treat and consider the person in whose name each Book-Entry Certificate is registered in the Registration Books as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by such Certificate, for the purpose of selecting any Certificates, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a prepayment of all or a portion of a Certificate, the Depository, in its discretion, (i) may request the Trustee to execute and deliver a new Certificate, or (ii) if DTC is the sole Owner of such Certificate, shall make an appropriate notation on the Certificate indicating the date and amounts of the reduction in principal evidenced thereby resulting from such prepayment, except in the case of final payment, in which case such Certificate must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State of California) the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Registration Books, shall receive a Certificate evidencing principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owners, the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Trust Agreement with respect to Record Dates, the word Nominee in the Trust Agreement shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Certificates for the Depository’s book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Certificates other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall take such other actions, not inconsistent with the Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository’s book-entry program.

(g) In the event the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Certificates and that such Certificates should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Certificates. In such event, the Trustee shall transfer and exchange certificated Certificates as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each stated Principal Payment Date of such Book-Entry Certificates, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever

name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of the Trust Agreement described under the headings “TERMS AND CONDITIONS OF CERTIFICATES – Transfer and Payment of Certificates; Exchange of Certificates” and “—Certificates Mutilated, Lost, Destroyed or Stolen.” Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(h) Notwithstanding any other provision of the Trust Agreement to the contrary, if DTC is the sole Owner of the Certificates, so long as any Book-Entry Certificate is registered in the Registration Books in the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to the Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date no later than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Certificates.

Funds and Accounts; Rental Payments

Pledge; Base Rental Payment Fund. (a) Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, in order to secure the District’s obligations under the Trust Agreement and under the Lease Agreement, the District irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest (but none of its obligations), if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund), which amounts shall be used for the payment of the Base Rental Payments in accordance with the terms of the Trust Agreement and of the Lease Agreement. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) It is the intent of the parties to the Trust Agreement that the Corporation not have any right, title or interest in or to the amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. If, contrary to the intent of the parties to the Trust Agreement, the Corporation is found to have any right, title or interest in or to any such amounts, then, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, the Corporation irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund). Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Corporation, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of,

lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(c) All Base Rental Payments shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the District shall be deposited by the Trustee in the Base Rental Payment Fund, which the Trustee shall establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in the Base Rental Payment Fund shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses authorized in the Trust Agreement. Any Net Proceeds of rental interruption insurance received with respect to the Property shall be deposited in the Base Rental Payment Fund.

Deposit of Base Rental Payments. The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Trust Agreement, to the following respective funds, each of which the Trustee agrees to establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in each of such funds shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) *Interest Fund.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee shall withdraw from the Interest Fund, for payment to the Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

(b) *Principal Fund.* The Trustee, on each Principal Payment Date and each Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee shall withdraw from the Principal Fund, for payment to the Owners, the principal evidenced by the Certificates due and payable on such Principal Payment Date or upon earlier prepayment from Mandatory Sinking Account Payments.

(c) *Prepayment Fund.* The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Prepayment Fund any amounts required to be deposited therein pursuant to the provisions of the Trust Agreement related to the Acquisition Fund, the provisions of the Trust Agreement described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds" or the provisions of the Trust Agreement described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Title Insurance." Moneys in the Prepayment Fund shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. All moneys held by the Trustee in the Prepayment Fund shall either be held uninvested or invested in Defeasance Securities, which mature in sufficient amounts and on the dates needed to make the prepayments of Certificates for which such moneys were deposited.

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the Trust Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds," the District shall, as expeditiously

as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the District elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions thereof.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the District, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the District shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee and the Insurer in writing as to whether the District intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the District does intend to replace or repair the Property or portions thereof, the District shall deposit with the Trustee the full amount of any insurance deductible to be deposited to the special account.

If such damage, destruction or loss was such that there resulted a substantial interference with the District's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments would result from such damage or destruction pursuant to the rental abatement provisions of the Lease Agreement (disregarding, for the purpose of determining whether such an abatement would result, whether moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Lease Agreement), then the District shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the prepayment, as set forth in the Trust Agreement, in full of all the Outstanding Certificates or all of those Outstanding Certificates which would have been payable from that portion of the Base Rental Payments which would be abated as a result of the damage or destruction (disregarding, for the purpose of determining what portion of the Base Rental Payments would be so abated, the provisions of the Lease Agreement). Funds to be applied to the prepayment of Certificates in accordance with clause (b) above shall be deposited in the Prepayment Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the District in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above or the prepayment of Certificates as required by clause (b) above, in each case as evidenced by a Written Certificate of the District to such effect, shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). If the District is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to prepay Certificates as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). Any amounts not required to be so deposited into the Reserve Fund shall, if there is first delivered to the Trustee and the Insurer a Written Certificate of the District to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the District to be used for any lawful purpose.

The proceeds of any award in eminent domain with respect to the Property shall be deposited by the Trustee in the Prepayment Fund and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the District determines (and sets forth in a Written Certificate of the District) that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the District under the Lease Agreement, such proceeds shall, with the written approval of the Insurer, be remitted to the District and used for any lawful purpose thereof; or

(b) if the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and would result in an abatement in whole or in part of Rental Payments payable by the District under the Lease (disregarding, for the purpose of determining whether such an abatement would result, the provisions of the Lease Agreement), then the District shall, in a Written Request of the District, direct the Trustee to, and the Trustee shall, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall, with the written approval of the Insurer, be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Reserve Fund. (a) The Trustee shall establish and maintain the Reserve Fund until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. There shall be deposited in the Reserve Fund on the Delivery Date the Reserve Policy pursuant to the Trust Agreement. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

(b) The District may substitute a Reserve Facility for all or a part of the Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee shall have received the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy); provided, however, that Insurer consent shall not be required if the Insurer is the provider of the substitute Reserve Facility. The District shall not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy); provided, however, that Insurer consent shall not be required if the Insurer is the provider of the substitute Reserve Facility. Moneys for which a Reserve Facility has been substituted as provided in the Trust Agreement shall be transferred, at the election of the District, to the Base Rental Payment Fund, or upon receipt of an Opinion of Counsel to the effect that such transfer, in and of itself, will not adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes, to a special account to be held by the Trustee and applied to the payment of capital costs of the District, as directed in a Written Request of the District. Any amounts paid pursuant to any Reserve Facility shall be deposited in the Reserve Fund.

(c) Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under

any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, drawings thereunder, and repayment of expenses with respect thereto, shall be made on a pro-rata basis (calculated by reference to the policy limits available thereunder without regard to the legal or financial ability or willingness of any Reserve Facility provider to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw).

If, on any Interest Payment Date, the amount on deposit in the Interest Fund is insufficient to pay the interest evidenced by the Certificates payable on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Fund.

If, on any Principal Payment Date or Mandatory Sinking Account Payment Date, the amount on deposit in the Principal Fund is insufficient to pay the principal evidenced by the Certificates payable on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Fund.

Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payment of principal and interest evidenced by the Certificates.

(d) In the event of any transfer from the Reserve Fund or the making of any claim under any Reserve Facility, the Trustee shall, within five days thereafter, provide written notice to the District of the amount and the date of such transfer or claim.

(e) To the extent that proceeds of a payment under the Reserve Policy are applied to the payment of interest or principal evidenced by a Certificate, the Reserve Insurer shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner's rights thereunder to the extent of such payment, including the Owner's rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for interest, the Trustee shall note the Reserve Insurer's rights as subrogee on the Registration Books, and (ii) in the case of subrogation as to claims for principal, the Trustee shall note the Reserve Insurer's rights as subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(f) If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to the Lease Agreement), a claim has been made under the Reserve Policy and the Reserve Insurer has paid such claim, the first of Base Rental Payments, including the interest component thereof, calculated at the Insurer Rate as provided in the Lease Agreement, thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be paid to the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment, in

repayment of such payment by the Reserve Insurer until such payment is paid in full. If as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to the Lease Agreement), a claim has been made on the Reserve Policy and the Reserve Insurer has paid such claim, the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such abated Base Rental Payment, shall be entitled to receive, during the extension of the term of the Lease Agreement provided for in the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to the Lease Agreement. Any such payment by the District pursuant to the provisions of the Lease Agreement summarized under paragraph (b) of the heading "RENTAL PAYMENTS – Base Rental Payments" and the provisions of the Lease Agreement summarized under the heading "RENTAL PAYMENTS – Payment Provisions" with respect to the Reserve Fund shall be applied first to the interest component of such delinquent Base Rental Payment due the Reserve Insurer and second to the principal components of such delinquent Base Rental Payment due the Reserve Insurer.

(g) If (i) the sum of the amount on deposit in the Reserve Fund, plus the amount available under all available Reserve Facilities, is less than the Reserve Fund Requirement, (ii) there are no amounts then due to the Reserve Insurer under the Reserve Policy, and (iii) there are no amounts then due to the provider of any other Reserve Facility under such Reserve Facility, the first of Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement.

(h) If, as a result of the payment of principal or interest evidenced by the Certificates or otherwise, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement shall be transferred to the Base Rental Payment Fund.

(i) On any date on which Certificates are defeased in accordance with the Trust Agreement, the Trustee shall, if so directed in a Written Request of the District, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the District, to be applied to such defeasance.

Costs of Issuance Fund. The Trustee shall establish and maintain a separate special fund to be held by the Trustee designated the "Costs of Issuance Fund." On the Delivery Date, there shall be deposited in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Trust Agreement. The Trustee shall disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. On the last Business Day that is no later than six months after the Delivery Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Base Rental Payment Fund and the Trustee shall close the Costs of Issuance Fund.

Acquisition Fund. (a) The Trustee shall establish and maintain a separate fund to be designated the "Acquisition Fund." On the Delivery Date, there shall be deposited in the Acquisition Fund the amount required to be deposited therein pursuant to the Trust Agreement. All moneys in the Acquisition Fund shall be held by the Trustee in trust and applied by the Trustee, as provided in the provisions described in the Trust Agreement under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Acquisition Fund," to the payment of Acquisition Costs.

(b) Upon receipt by the Trustee of a Written Request of the District requesting the Trustee to make a payment from the Acquisition Fund, which Written Request shall be in substantially the form of the exhibit attached to the Trust Agreement, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof.

(c) Upon the filing of a Written Certificate of the District stating (i) that the portion of the Project to be financed from the Acquisition Fund has been completed and that all costs of such Project have been paid, or (ii) that such portion of the Project has been substantially completed and that all remaining costs of such portion of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Acquisition Fund (less any such retention) is equal to or greater than \$50,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Prepayment Fund, to be applied to the prepayment of Certificates pursuant to the provisions of the Trust Agreement related to optional prepayment, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Acquisition Fund (less any such retention) to the Interest Fund, to be applied to the payment of interest evidenced by the Certificates.

Rebate Fund. (a) In addition to the other funds and accounts created pursuant to the Trust Agreement, the Trustee shall establish and maintain the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Certificates pursuant to the Trust Agreement or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Trust Agreement summarized in this paragraph and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate and shall not be deemed to have any knowledge of the provisions of the Tax Certificate. The Trustee may conclusively rely upon the District's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the District's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the principal and interest evidenced by the Certificates and after payment of any amounts described in the Trust Agreement summarized in this paragraph, shall be withdrawn by the Trustee and remitted to the District.

Investments. (a) *General.* Except as otherwise provided in the Trust Agreement, all moneys in any of the funds or accounts established pursuant to the Trust Agreement and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Trust Agreement; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final stated Principal Payment Date of the Certificates; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final stated Principal Payment Date of the Certificates. Absent timely written direction from the District, the Trustee shall hold any funds held by it uninvested.

(b) *Role and Responsibilities of the Trustee.* The Trustee or an affiliate thereof may act as principal or agent in the acquisition or disposition of any such Permitted Investment and shall be entitled to a customary and reasonable fee therefor. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the direction of the District. The Trustee may rely on the District's investment direction as to the suitability of such investments. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District will not receive such confirmation to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Trust Agreement. The Trustee may make any investments under the Trust Agreement through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manage in connection with any investments made by the Trustee under the Trust Agreement.

(c) *Valuation.* Investments (except investment agreements) in any fund or account established under the Trust Agreement shall be valued, exclusive of accrued interest, (i) not less often than semi-annually no later than March 15 and September 15 or more frequently if deemed necessary by the Insurer but not more often than monthly, and (ii) upon any draw upon the Reserve Fund. All investments of amounts deposited in any fund or account established under the Trust Agreement shall be valued at the market value thereof. The Trustee may utilize and rely on, without liability, generally recognized pricing information services (including brokers and dealers in securities).

(d) *Earnings.* Subject to the provisions of the Trust Agreement related to the Rebate Fund, any interest or profits received with respect to investments held in any of the funds or accounts established under the Trust Agreement (other than the Reserve Fund) shall be retained therein. Subject to the provisions of the Trust Agreement related to the Rebate Fund, any interest or profits received with respect to investments held in the Reserve Fund shall, prior to the date on which a Written Certificate of the District is filed with the Trustee pursuant to the Trust Agreement, be transferred to the Acquisition Fund and, thereafter, be transferred to the Base Rental Payment Fund. Notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund, together with amounts available to be drawn on all Reserve Facilities, if any, available therein, is at least equal to the Reserve Requirement.

Covenants

Compliance with Trust Agreement. The Trustee will execute and deliver the Certificates only in accordance with the provisions of the Trust Agreement, and each of the Corporation and the District shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be complied with, kept, observed and performed by it.

Compliance with Ground Lease and Lease Agreement. Each of the Corporation and the District shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by it and, together with the Trustee, shall enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Corporation, the District and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The District will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances, and free from any claim or liability which materially impairs the District in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the District ten days' written notice to comply therewith and failure of the District to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or, with the written consent of the Insurer, compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the District from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its obligation thereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates are Outstanding, neither the Trustee or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien thereof.

The Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement.

Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee, the Insurer or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee, the Insurer and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Recordation. The District will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. (a) The District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest evidenced by the Certificates under Section 103 of the Code. Without limiting the generality of the foregoing, the District will comply with the requirements of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Certificates.

(b) In the event that at any time the District is of the opinion that for purposes of the Trust Agreement related to the tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established thereunder, the

District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions, at the District's expense.

(c) Notwithstanding any provisions of the Trust Agreement related to the tax covenants, if the District shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the Trust Agreement related to the tax covenants is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest evidenced by the Certificates, the Trustee may conclusively rely on such opinion in complying with the requirements of the Trust Agreement and of the Tax Certificate, and the covenants thereunder shall be deemed to be modified to that extent.

Continuing Disclosure. The District shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Trust Agreement; provided, however, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by Certificates then Outstanding, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Insurer or any Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, the Insurer and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement, the Assignment Agreement, the Ground Lease or the Lease Agreement.

Default and Limitations of Liability

Action on Default. If an event of default (within the meaning of the Lease Agreement) shall happen, then such event of default shall constitute an event of default under the Trust Agreement. The Trustee, as assignee of the Corporation, may give notice of an event of default under the Lease Agreement to the District, and shall do so if directed in writing to do so by the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) or the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an event of default, the Trustee (a) may, with the prior written consent of the Insurer, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) shall, upon being indemnified to its reasonable satisfaction, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, at the direction of the Insurer, upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease Agreement and, in addition, with the written consent or at the written direction of the Insurer, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement summarized under the heading “DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default,” the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any member, director, officer or employee thereof, and to compel the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit in equity upon the happening of any event of default under the Trust Agreement to require the District to account as the trustee of an express trust.

Nothing in the Trust Agreement shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Notwithstanding anything contained in the Trust Agreement or in the Lease Agreement to the contrary, upon the occurrence and continuance of an event of default, before taking any foreclosure action or any action which may subject the Trustee to liability under any Environmental Regulations, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action. The Trustee shall not be required to take any foreclosure action if the approval of a government regulator shall be a condition precedent to taking such action, and such approval cannot be obtained.

Anything in the Trust Agreement or in the Lease Agreement to the contrary notwithstanding, the Trustee shall not be required to enter, take possession of, or take any other action whatsoever with respect to the failure to initiate foreclosure proceedings with respect to the Project unless the Trustee is satisfied that the Trustee will not be subject to any liability under any Environmental Regulations of any kind whatsoever or from any circumstances present at the Project relating to the presence, use, management, disposal or contamination by any Hazardous Materials.

Non-Waiver. So long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Trustee shall not waive any default or breach of duty or contract under the Trust Agreement without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the default and limitations of liability provisions of the Trust Agreement may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or any Owner, then subject to any adverse determination,

the Trustee, the Insurer, such Owner, the Corporation and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement summarized under the heading “DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default,” no remedy therein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation to the Owners. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained therein.

No Liability by the District to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Trust Agreement, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained therein.

No Liability of the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively, contained in the Lease Agreement, the Ground Lease or the Trust Agreement.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Property after a default by the District pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Corporation’s right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the compensation and indemnification provisions of the Trust Agreement;

(b) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable;

(c) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates

which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable; and

(d) to the extent not included in paragraphs (b) or (c) above, to the payment of all amounts then due under the Trust Agreement to the Insurer.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) so long as the Insurer is not in default in its payment obligations under the Insurance Policy, such Owner shall have obtained the Insurer's consent to such institution or appointment, (c) the Owners of not less than 25% of the aggregate amount of principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Trust Agreement, (d) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (e) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (f) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate amount of principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal and ratable benefit of all the Owners of Certificates.

The Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an event of default, and after the curing or waiver of all events of default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any event of default which has not been cured or waived, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party to the Trust Agreement and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose

of this subsection the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an event of default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement and any successor thereto if at any time (i) requested to do so by the Insurer (as long as the Insurer is not in default in its payment obligations under the Insurance Policy) or by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the aggregate amount of principal evidenced by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District and the Insurer, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement under the heading "THE TRUSTEE – Qualifications; Removal and Resignation; Successors."

(d) Upon removal or resignation of the Trustee, the District shall promptly appoint a successor Trustee by an instrument in writing, which appointment shall be subject to the prior written approval of the Insurer. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in paragraph (a) above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District, the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but, nevertheless at the written request of the District, the Corporation or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Trustee to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking

association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Trust Agreement to the contrary notwithstanding.

Liabilities of the Trustee. (a) The recitals of facts in the Trust Agreement shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same. The Trustee shall, however, be responsible for its representations contained in the Certificates.

(b) The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement, the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or in respect of the security afforded by the Trust Agreement, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the delivery of the Certificates for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the District or others in accordance with the Trust Agreement.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence or willful misconduct.

(d) No provision of the Trust Agreement or any other document related thereto shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Trust Agreement through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Trust Agreement described under the headings "DEFAULT AND LIMITATIONS OF LIABILITY" or "THE TRUSTEE" or upon the direction of the Owners or the Insurer, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Insurer or the Owners of not less than a majority in aggregate amount of principal evidenced by the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

(j) The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect

the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate amount of principal evidenced by the Certificates then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it thereunder if and to the extent that the Trustee's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an event of default under the Trust Agreement unless it has actual knowledge thereof.

(n) The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(o) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Trust Agreement.

(p) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Trust Agreement.); provided, however, that the Corporation and/or the District, as applicable, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Corporation and/or the District, as applicable, whenever a person is to be added or deleted from the listing. If the Corporation and/or the District, as applicable, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Corporation and the District understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Corporation and the District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Corporation, the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Corporation and/or the District, as applicable. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Corporation and the District agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Corporation and/or the District, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable

degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(q) In acting or omitting to act pursuant to the Lease Agreement, Ground Lease, Assignment Agreement or any other documents executed in connection with the Trust Agreement or the Lease Agreement, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Trust Agreement and the Lease Agreement.

Right to Rely on Documents and Opinions. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement in reliance upon such Written Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Trustee may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Certificates, the Base Rental Payments received by it and all funds and accounts established by it pursuant to the Trust Agreement. Such books of record and account shall be available for inspection by the District, the Corporation and the Insurer during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the District a monthly accounting of the funds and accounts it holds under the Trust Agreement; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Trust Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Corporation, the Owners and their agents and representatives duly authorized in writing.

Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Trust Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Trust Agreement. The District shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents and employees harmless against any costs, claims, suits, judgments, damages, expenses (including fees and expenses of its counsel), and liabilities which it may incur in the exercise and performance of its powers and duties under the Trust Agreement or under the Assignment Agreement,

Lease Agreement or Ground Lease, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the District to indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of the Trust Agreement.

When the Trustee incurs expenses or renders services after the occurrence of an event of default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an event of default, and only upon an event of default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Certificate, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Amendment of or Supplement to Trust Agreement

Amendment or Supplement. (a) The Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding when the prior written consents of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement as summarized under the heading “AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Disqualified Certificates,” are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest applicable to the interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or reduce the amount of any Mandatory Sinking Account Payment or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Trust Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Trust Agreement or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Trust Agreement, except as expressly provided in the Trust Agreement, without the consent of the Owners of all of the Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend the provisions of the Trust Agreement summarized under the heading “AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Amendment or Supplement,” without the prior written consent of the Owners of all Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(b) The Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution, with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), but without the written consents of any Owners and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the District to be observed or performed in the Trust Agreement, other agreements, conditions, covenants and terms thereafter to be observed or performed by the District, or to surrender any right or power reserved therein to or conferred therein on the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the District may deem desirable or necessary and not inconsistent therewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the District and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

The Trustee is not obligated to enter into any amendment or supplement that adversely affects the rights or obligations of the Trustee.

The Insurer shall be provided with a full original transcript of all proceedings relating to the amendment of or supplement to the Trust Agreement pursuant to the provisions of the Trust Agreement summarized under the heading "AMENDMENT OR SUPPLEMENT TO TRUST AGREEMENT – Amendment or Supplement."

In executing, or accepting the additional trusts created by, any supplement or amendment to the Trust Agreement or the modification thereby of the trusts created by the Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplement or amendment to the Trust Agreement is authorized or permitted by and complies with the terms of the Trust Agreement. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Trust Agreement or otherwise.

Disqualified Certificates. Certificates owned or held by or for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in the provisions of the Trust Agreement summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT" and shall not be entitled to consent to or take any other action provided in such provisions, except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Certificates which the Trustee actually knows to be owned or held by or for the account of the District shall be disregarded unless all Certificates are so owned or held, in which case such Certificates shall be considered Outstanding for the purpose of such determination, and the Trustee may adopt appropriate regulations to require each Owner, before its consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided therein.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided above, the District may determine that the Certificates may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner

of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment by Mutual Consent. Subject to the receipt of the prior written consent of the Insurer as provided in the Trust Agreement, the provisions of the Trust Agreement summarized under the heading “AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT” shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by such Owner, provided that due notation thereof is made on such Certificates.

Defeasance

Discharge of Trust Agreement. (a) If there shall be paid (i) to the Owners of all Outstanding Certificates the principal, interest and premium, if any, evidenced thereby at the times and in the manner stipulated therein and in the Trust Agreement, and (ii) all other amounts due under the Trust Agreement and under the Lease Agreement, then the Owners shall cease to be entitled to the pledge of the assets provided for in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the District under the Trust Agreement shall thereupon cease, terminate and become void and the Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the principal, interest and premium, if any, evidenced by the Certificates.

(b) Subject to the provisions of paragraph (a) above, when any Certificate shall have been paid and if, at the time of such payment, each of the Corporation and the District shall have kept, performed and observed all of the covenants and promises in the Trust Agreement and the Lease Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Trust Agreement shall be considered to have been discharged in respect of such Certificate and such Certificate shall cease to be entitled to the pledge of the assets provided in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the District under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Certificate.

(c) Notwithstanding the discharge and satisfaction of the Trust Agreement or the discharge and satisfaction of the Trust Agreement in respect of any Certificate, those provisions of the Trust Agreement relating to the payment of the principal, interest and premium, if any, evidenced by Certificates, exchange and transfer of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, the duties of the Trustee in connection with all of the foregoing, and the duties of the District under the heading “– Compensation and Indemnification” shall remain in effect and shall be binding upon the Trustee and the Owners of such Certificate, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, interest and premium, if any, evidenced by such Certificate, and to pay to the Owner of such Certificate the funds so held by the Trustee as and when such payment becomes due.

Certificates Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or prepayment of the principal evidenced by any Certificate and the payment of the interest evidenced thereby to the stated Principal Payment Date or prepayment date thereof, such Certificate shall be deemed to have been paid within the meaning and with the effect provided in the Trust Agreement described under the heading “DEFEASANCE – Discharge of Trust Agreement.” Any Outstanding Certificate shall prior to its stated Principal Payment Date or the prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement

described under the heading “DEFEASANCE – Discharge of Trust Agreement” if (i) in case any of such Certificates is to be prepaid on any date prior to its stated Principal Payment Date, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificate on said prepayment date, said notice to be given in accordance with the provisions of the Trust Agreement, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be (as endorsed by the Verification Report delivered to the Trustee) sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest evidenced by such Certificate to become due on and prior to its stated Principal Payment Date or the prepayment date thereof, as the case may be, and the principal and premium, if any, evidenced by such Certificate, and (iii) in the event such Certificate is not by its terms subject to prepayment within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (ii) above has been made with the Trustee and that such Certificate is deemed to have been paid in accordance with the provisions of the Trust Agreement described under the heading “DEFEASANCE – Certificates Deemed to Have Been Paid,” and stating stated Principal Payment Date or prepayment date upon which money is to be available for the payment of the principal and premium, if any, evidenced by such Certificate.

(b) No Certificate shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) above unless (i) all amounts currently due to the Insurer under the Insurance Policy and to the Reserve Insurer under the Reserve Policy shall have been paid in full, and (ii) the District shall have caused to be delivered to the District and the Trustee (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District, the Insurer and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, in form and in substance acceptable to the Insurer, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District, the Insurer and the Trustee, to the effect that such Certificate has been paid within the meaning and with the effect expressed in the Trust Agreement, the Trust Agreement has been discharged in respect of such Certificate and all agreements, covenants and other obligations of the District and the Corporation under the Trust Agreement as to such Certificate have ceased, terminated, become void and been completely discharged and satisfied. In the event a forward purchase agreement is to be employed in connection with the Defeasance Securities purchased to defease Certificates, such agreement shall be subject to the approval of the Insurer and shall be accompanied by such opinions of counsel as may be required by the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than three (3) Business Days prior to the funding of the escrow.

Unclaimed Moneys. Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall, at the Written Request of the District be repaid by the Trustee (without liability for interest) to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such Certificates.

Insurance Policy and Reserve Policy Provisions

Insurer To Be Deemed Owner; Rights of the Insurer; Payments by the Insurer; Notices. The provisions of the Trust Agreement described under the heading “INSURANCE POLICY AND RESERVE POLICY PROVISIONS” shall apply notwithstanding any other provision of the Trust Agreement to the contrary so long as the Insurer is not in default in its payment obligations under the Insurance Policy.

(a) The Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Certificates for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment of or supplement to the Trust Agreement which requires the consent or approval of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding pursuant to the Trust Agreement; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to the Trust Agreement which seeks to amend or supplement the Trust Agreement for the purposes set forth in clauses (i), (ii) or (iv) of paragraph (a) of the provisions of the Trust Agreement summarized under the heading “AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Amendment or Supplement,” and provided further that the Insurer shall not be deemed the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to the Trust Agreement, and shall not have the right to direct or consent to District, Corporation, Trustee or Owner action as provided in the Trust Agreement, if:

(i) the Insurer shall be in payment default under the Insurance Policy and such failure shall continue for three Business Days;

(ii) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(iii) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

(b) To the extent that the Insurer makes payment of any interest or principal evidenced by an Certificate, it shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner’s rights thereunder in accordance with the terms of the Insurance Policy to the extent of such payment, including the Owner’s rights to payment thereof (which subrogation rights shall include the rights of any such Owner in connection with any Insolvency Proceeding). To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer’s rights as subrogee on the Registration Books upon receipt of proof from the Insurer as to payment of such interest to the Owner of the Certificate evidencing such interest, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer’s rights as subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(c) In the event that the interest or principal evidenced by an Certificate shall be paid by the Insurer pursuant to the terms of the Insurance Policy, (i) such Certificate shall continue to be Outstanding under the Trust Agreement, (ii) the pledge of the amounts on deposit in the funds and accounts established under the Trust Agreement and all covenants, agreements and other obligations of the District thereunder and under the Lease Agreement shall continue to exist, (iii) the Insurer shall be fully subrogated to all of

the rights of such Owner in accordance with the terms and conditions of paragraph (b) above and the Insurance Policy, and (iv) neither the Trust Agreement nor the Lease Agreement shall be discharged unless and until all amounts due to the Insurer have been paid in full.

(d) If an event of default (within the meaning of the Lease Agreement) shall have occurred and be continuing, the Insurer may, regardless of whether a claim has been made under the Insurance Policy, at any time and at its sole option, pay to the Owners all or any portion of the interest or principal evidenced by the Certificates (at a price equal to 100% of the principal evidenced by the Certificates so purchased) prior to the stated Principal Payment Dates thereof; provided, however, that such payment by the Insurer shall not accelerate the District's obligation to make Rental Payments under the Lease Agreement. The Trustee shall accept such payments on behalf of the Owners and the Insurer's obligations under the Insurance Policy shall be discharged to the extent of such payments.

(e) The Insurer shall be notified (i) by the District at least 30 days (or such lesser time as agreed by the Insurer) in advance of the execution of any amendment of or supplement to the Trust Agreement and of any amendment to the Lease Agreement or the Ground Lease in the event consent of the Owners is not required for such amendment or supplement, (ii) by the Trustee within two Insurance Business Days of the Trustee's having actual knowledge of the occurrence of any event of default (within the meaning of the Lease Agreement), and (iii) by the Trustee of any prepayment of Certificates (including the principal evidenced by, and the CUSIP numbers of, such Certificates to be prepaid) at the same time that the Owners of the Certificates to be prepaid are notified. In addition, all notices, reports, certificates and opinions (i) to be delivered to or by the Trustee or to the Owners or available at the request of the Owners pursuant to the Trust Agreement, or (ii) to be delivered by the District pursuant to the Lease Agreement or the Assignment Agreement shall also be delivered to the Insurer.

(f) The Trustee shall also notify the Insurer immediately, upon the withdrawal of amounts on deposit in the Reserve Fund, other than amounts comprising investment earnings thereon which may be withdrawn in accordance with the terms of the Trust Agreement, upon a claim being made under any Reserve Facility or upon the determination that a deficiency in the Reserve Fund exists as a result of fluctuations in the market value of investments held therein. The District shall notify the Insurer immediately upon the resignation or removal of the Trustee or the appointment of a successor Trustee.

(g) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(h) Subject to and conditioned upon payment of any interest or principal evidenced by the Certificates by or on behalf of the Insurer, each Owner, by its purchase of Certificates, assigns to the Insurer, but only to the extent of all payments made by the Insurer, all rights to the payment of interest or principal evidenced by the Certificates, including, without limitation, any amounts due to the Owners in respect of securities law violations arising from the offer and sale of the Certificates, which are then due for payment. The Insurer may exercise any option, vote, right, power or the like with respect to Certificates to the extent it has made a payment of principal evidenced by Certificates pursuant to the Insurance Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Insurer to effectuate the purpose or provisions of this paragraph.

(i) The Insurer shall have the right to advance any payment required to be made by the District in order to prevent an event of default under the Trust Agreement and the Trustee shall be required to accept such advance. The District shall, upon demand, reimburse the Insurer for any such advance.

(j) The rights granted under the Trust Agreement, the Lease Agreement or the Ground Lease to the Insurer to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners, nor does such action evidence any position of the Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the Insurer.

(k) The District agrees, to the extent permitted by law, to pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, (ii) the pursuit of any remedies under the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement.

(l) The Insurer shall be entitled to pay principal or interest evidenced by the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) thereof in accordance with the Trust Agreement, whether or not the Insurer has received a Notice (as defined in the Insurance Policy) of Nonpayment or a claim upon the Insurance Policy.

(m) The Trustee shall promptly notify the Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the District or the Corporation commenced under the United States Bankruptcy Code or any successor statute or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding"), and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of interest or principal evidenced by the Certificates. Each Owner, by its purchase of Certificates, and the Trustee agrees that the Insurer may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim, and (iii) the posting of any surety, supersedes or performance bond pending any such appeal. In addition and without limitation of the foregoing, the Insurer shall be subrogated to the rights of the Trustee and each Owner in any Insolvency Proceeding to the extent it is subrogated pursuant to paragraph (c) above, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceedings.

(n) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Trust Agreement would adversely affect the security for the Certificates or the rights of the Owners, the effect of any such amendment, consent, waiver, action or inaction shall be considered as if there were no Insurance Policy.

(o) Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. In the event of any such reorganization or liquidation, the Insurer shall have the right to vote

on behalf of all Owners (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(p) The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any Business Day upon reasonable prior notice.

(q) The obligations set forth in paragraphs (k) and (m) above shall survive discharge or termination of the Trust Agreement and the Lease Agreement.

Deposits to Policy Payments Account; Payments Under the Insurance Policy. (a) So long as the Insurance Policy shall be in full force and effect, the District and the Trustee agree to comply with the provisions of the provisions of the Trust Agreement described under the heading “INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Deposits to Policy Payments Account; Payments Under the Insurance Policy.”

(b) If, on the third Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the interest or principal evidenced by the Certificates due on such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall give notice to the Insurer and to the Insurer’s Fiscal Agent (if any) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Insurance Business Day. If, on the second Insurance Business Day prior to such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, there continues to be a deficiency in the amount available to pay the interest or principal evidenced by the Certificates due on such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay the interest evidenced by the Certificates and the amount required to pay principal evidenced by the Certificates, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent (if any) by 12:00 noon, New York City time, on such second Insurance Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(c) The Trustee shall designate any portion of principal evidenced by Certificates paid by the Insurer, whether by virtue of Mandatory Sinking Account Payment, the stated Principal Payment Date or the Insurer’s election to pay said amounts prior to the stated Principal Payment Date pursuant to paragraph (e) of the provisions of the Trust Agreement summarized under the heading “INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Insurer To Be Deemed Owner; Rights of the Insurer; Payments by the Insurer; Notices,” on its books as a reduction in the principal evidenced by Certificates registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Insurer, registered in the name of Build America Mutual Assurance Company, evidencing principal in an amount equal to the principal so paid (without regard to Authorized Denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest evidenced by any Certificate payable by the District or the subrogation rights of the Insurer.

(d) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of the

interest and principal evidenced by any Certificate. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners known as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as payments of interest and principal evidenced by the Certificates are to be made with respect to the Certificates under the provisions of the Trust Agreement. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to make payments of interest and principal with other funds available to make such payments.

If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, (i) the first of Base Rental Payments thereafter received from the District under the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to paragraph (f) of the provisions of the Trust Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Reserve Fund," and (ii) the interest payable with respect to such delinquent Base Rental Payments, calculated at the Insurer Rate as provided in the Lease Agreement, shall be paid to the Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment in repayment of such payment by the Insurer until such payment is paid in full. If, as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, the Insurer, as the Owner of the Certificates (or portions thereof) representing such abated Base Rental Payment, shall be entitled to receive, during the extension of the term of the Lease Agreement provided for in the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to paragraph (f) of the provisions of the Trust Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Reserve Fund." Any such payment by the District pursuant to the provisions of the Trust Agreement summarized under the heading "INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Deposits to Policy Payments Account; Payments Under the Insurance Policy" shall be applied first to the interest component of such delinquent Base Rental Payment due the Insurer and second to the principal components of such delinquent Base Rental Payment due the Insurer.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date shall promptly be remitted to the Insurer.

Reporting Requirements. (a) The District shall provide to the Insurer (i) within 180 days after the end of each fiscal year of the District, a Written Certificate of the District certifying that the District is not aware of any event of default or of any default under the Trust Agreement or under the Lease Agreement, (ii) within 180 days after the end of each fiscal year of the District, audited financial statements for such fiscal year, (iii) within 30 days after the approval thereof, each annual budget of the District, and, (iv) from time to time, such other information, data or reports as the Insurer may reasonably request.

(b) The Trustee shall provide the Insurer with notice of any default under the Trust Agreement or under the Lease Agreement within five Business Days of obtaining actual knowledge thereof. The District shall provide the Insurer with notice of any default under the Trust Agreement or under the Lease Agreement within five Business Days of obtaining knowledge thereof.

(c) The District shall provide the Insurer with prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof.

(d) The District shall provide the Insurer with notice of the resignation or removal of the Trustee or the Depository, and the appointment of, and acceptance of duties by, any successor thereto.

(e) Each of the District and the Trustee agrees that it will, if it has actual knowledge thereof, promptly notify the Insurer of (i) the commencement of any Insolvency Proceeding by or against the District, and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest evidenced by the Certificate.

(f) The Trustee shall, at the time any report, notice or correspondence is delivered to Owners of the Certificates by the Trustee pursuant to the provisions of the Trust Agreement, deliver a copy of such report, notice or correspondence to the Insurer.

(g) The District shall provide the Insurer with all information furnished pursuant to the Continuing Disclosure Certificate simultaneously with the furnishing of such information.

(h) The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information required to be delivered to the Trustee under the Trust Agreement or the Lease Agreement.

Reserve Policy Provisions. As long as the Reserve Policy shall be in full force and effect, the Trustee agrees that:

(a) If, on the fifth Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date moneys on deposit in the Base Rental Payment Fund, the Interest Fund and/or the Principal Fund, as applicable, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Policy, are insufficient to pay the amount of principal and interest coming due, the Trustee shall give notice to the Reserve Insurer by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day.

(b) The District agrees, to the extent permitted by law, to pay or reimburse the Reserve Insurer any and all charges, fees, costs and expenses which the Reserve Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with any actions taken to facilitate payments under the Reserve Policy or the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement or the Lease Agreement. For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation with the actions described in the preceding sentence. The District agrees that failure to pay such costs and expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer until the date the Reserve Insurer is paid in full. The obligations set forth in this paragraph shall survive discharge or termination of the Trust Agreement and the Lease Agreement.

Miscellaneous

Benefits of Trust Agreement. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners any claim, remedy or right under or pursuant to the Trust Agreement, and any agreement, condition, covenant or term required in the Trust Agreement to be observed or performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Trustee, the Corporation or the District, or any officer thereof, is named or referred to in the Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the District, or such officer, and all agreements, conditions, covenants and terms required by the Trust Agreement to be observed or performed by or on behalf of the Trustee, the Corporation or the District, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Trust Agreement to the contrary, no member, officer or employee of the District shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal evidenced by the Certificates, but nothing contained in the Trust Agreement shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or by the Trust Agreement.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Written Certificate of the District and every Written Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Trust Agreement shall include (a) a statement that the person making or giving such certificate has read such agreement, condition, covenant or term and the definitions in the Trust Agreement relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based, (c) a statement that, in the opinion of the signer, the

signer has made or caused to be made such examination or investigation as is necessary to enable the signer to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signer, such agreement, condition, covenant or term has been complied with.

Any Written Certificate of the District and any Written Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which each person's certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the District or the Corporation upon a representation by an officer or officers of the District or the Corporation, as the case may be, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which such counsel's opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Funds and Accounts. Any fund or account required to be established and maintained under the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may commingle any of the moneys held by it under the Trust Agreement for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Trust Agreement.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Trust Agreement.

Governing Law. The Trust Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

APPENDIX B

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

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**ROCKLIN UNIFIED
SCHOOL DISTRICT**

FINANCIAL STATEMENTS
June 30, 2018

ROCKLIN UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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For the Year Ended June 30, 2018
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rocklin Unified School District
Rocklin, 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 Rocklin Unified School District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Rocklin Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rocklin Unified School 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of \$976,189. Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 15 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Contributions - OPEB, the Schedule of Money-Weighted Rate of Return on OPEB Plan Investments, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 55 to 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 on our consideration of Rocklin Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rocklin Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 3, 2018

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL REPORTS

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

California K-12 education finance is in the fifth year of a six-year implementation period of the new funding model "Local Control Funding Formula" (LCFF). The State adopted the 2017-18 budget on time. It included an increase of \$2.6 billion in new Proposition 98 funding, of which \$1.4 billion was for implementation of the LCFF.

Net position of the District increased by \$15.0 million over the previous fiscal year (see Tables I and II), mostly due to the increase in deferred outflow of resources for pension costs.

The net pension liability as of June 30, 2018 was \$115.0 million. The net pension liability increased by \$14.4 million primarily due to lower investment returns compared to projected earnings on pension plan investments during the measurement period of the Net Pension Liability (June 30, 2017). Refer to Note 8 for further disclosures related to the net pension liability.

The District's enrollment increased by 543 students (4.81%) at CBEDS (the California Basic Educational Data System) over the last two years and had an increase of 1,593 students (15.57%) from 2007/08-2017/18.

2017-18 was the fifth year of operation of the District's dependent charter school – Rocklin Independent Charter Academy. The P-2 ADA was 132 with a high enrollment of 179. It was accounted for in a separate special revenue fund, had revenues of \$1.3 million, and ended with a fund balance of \$225k.

In 2017-18 the District contributed \$433k to the Deferred Maintenance Fund. With the implementation of the LCFF, the State no longer provides a specific stream of money restricted for the Deferred Maintenance Fund so it is up to district stakeholders to ensure sufficient funds are allocated to maintain the District's campuses. The District budgeted a total of \$80 per current year P2 ADA (a total of \$922k) for deferred maintenance of District facilities via a combination of Re-Development Agency funds and unrestricted funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management discussion and analysis (this section), the basic financial statements, required supplementary information and an optional section that presents combining statements for all governmental funds. The basic financial statements include two kinds of statements that present different views of the district.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The governmental funds statements tell how basic services, like regular and special education, and capital projects were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our governmental funds.

District-Wide Statements

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

The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, liabilities, deferred outflows and inflows, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Major Features of the District-Wide and Fund Financial Statements:

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

Fund Financial Statements

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

Some funds are required by State law and by bond covenants. (See Note 1 to the financial statements for more information on the District's funds).

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

NET POSITION

The District's net position increased \$15.0 million from the prior year to \$37.5 million on June 30, 2018. The increase was due to many factors: increase in cash and equivalents of \$8.7 million; increase in receivables of \$1 million, increase of \$13.1 million in deferred outflows of resources mostly relating to pensions; increase of \$3.6 million in long-term debt, of which \$14.4 million was attributable to the net pension liability increase offset by debt payments of \$11.9 million.

Table 1		
Rocklin Unified School District		
Net Position		
<i>(in millions of dollars)</i>		
	<u>2016-17</u>	<u>2017-18</u>
Current and other assets	\$ 70.2	\$ 80.5
Capital assets	226.7	222.8
Advance receivable	12.0	12.0
Total Assets	<u>308.9</u>	<u>315.3</u>
Total Deferred Outflows of Resources	<u>22.3</u>	<u>35.5</u>
Long-term debt outstanding	299.0	302.6
Other liabilities	5.4	4.9
Total Liabilities	<u>304.4</u>	<u>307.5</u>
Total Deferred Inflows of Resources	<u>3.3</u>	<u>5.8</u>
Net position		
Net investment in capital assets	110.5	118.2
Restricted	58.4	67.0
Unrestricted	-145.4	-147.7
Total Net Position	<u>\$ 23.5</u>	<u>\$ 37.5</u>
Total Net Position, restated*	<u>\$ 22.5</u>	

*The \$1.0 million difference between the District's 2016-17 ending net position and the 2017-18 beginning net position is due to the cumulative effect of implementing GASB 75 (See "New Accounting Pronouncements" in Note 1).

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

CHANGES IN NET POSITION

The district's revenues, expenses and changes in net position for the year are presented in Table 2 below.

Table 2			
Changes in Rocklin Unified School District's Net Position			
<i>(in millions of dollars)</i>			
	<u>2016-17</u>	<u>2017-18</u>	<u>Difference</u>
Revenues			
<i>Program revenues</i>			
Charges for services	\$ 7.6	\$ 7.5	-0.1
Operating Grants and Contributions	14.1	16.1	2.0
<i>General revenues</i>			
Property Taxes	62.5	68.2	5.7
Federal and State aid not restricted	55.6	57.0	1.4
Other	2.4	2.8	0.4
Total revenues	142.2	151.6	9.4
Expenses			
Instruction	77.3	82.5	5.2
Instruction-related	12.9	13.6	0.7
Pupil services	9.5	11.1	1.6
General administration	6.7	7.2	0.5
Maintenance and Operations	10.3	11.0	0.7
Interest on long-term debt	3.2	9.0	5.8
Other	9.2	2.2	-7.0
Total expenses	129.1	136.6	7.5
Increase (Decrease) in net position	13.1	15.0	1.9
Net Position- beginning*	10.4	22.5	
Net Position- ending*	\$ 23.5	\$ 37.5	15.0

*The \$1.0 million difference between the District's 2016-17 ending net position and the 2017-18 beginning net position is due to the cumulative effect of implementing GASB 75 (see "New Accounting Pronouncements" in Note 1).

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The District's total net position increased by \$15.0 million during 2017-18 and increased by \$13.1 million during 2016-17.

Operating grants and contributions increased by \$2.0 million primarily due to an increase of \$1.4 to record the District's portion of the State's pension expense; and an increase of \$335k in special education .

Property taxes increased by a net \$5.7 million. Property tax revenues in debt service funds increased by \$3.0 million. Property taxes for general purposes increased by \$26 million due to the rise in assessed property values.

Federal and State aid not restricted to specific purposes increased by a net \$1.4 million. LCFF gap funding, along with enrollment growth, contributed to an increase of \$1.9 million (excluding property taxes). However, there was a decrease of \$700k for one-time state mandated cost reimbursements (the District received \$214 per ADA in 16-17 compared with \$147 per ADA in 2017-18).

Expenditures increased by a net of \$7.5 million due primarily to an increase of instruction and instructional related expenditures of \$5.9 million, an increase of \$1.6 million for pupil services, and an increase of \$700k million in maintenance and operations. Additionally, interest on long-term debt increased nearly \$6.0 million. Conversely, other expenses decreased by \$7.0 million from 2016-17. Most of the increase in salaries and benefits was due to growth in number of employees primarily in special education, step and column costs, and pension rate increases.

FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Financial Statements

The District's General Fund is its primary operating fund. It finances the ordinary operations of the school district. 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 is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. School Districts must adopt a budget on or before July 1 of each year. The budget is then revised on a regular basis to reflect changes in projected income and expenses subsequent to July 1.

State Funding of Education

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues will significantly affect appropriations made by the Legislature to school districts. Annual State apportionments are primarily computed based on the LCFF. The LCFF creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams. When fully implemented, every district in California will receive the same base grant amount per ADA by grade span through the LCFF. The LCFF also provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students, which are English learners, socio-economically disadvantaged or foster youth. In addition, those districts with targeted disadvantaged students exceeding 55 percent of their total enrollment will also receive a concentration grant equal to 50 percent of the adjusted base grant. The District does not qualify to receive any concentration grant funds.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

As part of the LCFF, the district is required to develop, adopt, and annually update a three-year Local Control and Accountability Plan (LCAP) using a template adopted by the California State Board of Education.

Other State apportionments are for categorical programs such as Special Education and Child Nutrition.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the school district as of the preceding January 1. Property taxes are due in two installments, on November 1 and February 1 of each fiscal year. These monies come to the district through the Placer County Office of Education primarily in December, April, and August. The District is under the Teeter Plan and receives the last 5% of property tax receipts in August of each year. Property within the school district had a net adjusted assessed valuation for fiscal year 2017-18 of \$8,784,334,838.

Employee Relations

Most employees of the District are represented by the following bargaining units: the Rocklin Teachers Professional Association (RTPA) and California School Employees Association (CSEA). An agreement was not reached with RTPA or CSEA on employee compensation and benefits for 2017-18 until September 11, 2018 and September 17, 2018 respectively and therefore no settlement costs for employees were included in these financial statements. Upon completion of the negotiations, tentative agreements were subject to formal ratification by the Board and the membership of the bargaining unit, which occurred on October 17, 2018. See Note 13 – Subsequent Event.

Retirement Employee Benefits

The Retiree Benefit Fund is used to fund employee retirement medical benefit payments. The fund was established in 1997. During fiscal year 1996-97 the district transferred \$1,000,000 into the Retiree Benefit Fund to partially fund this liability. The District has made yearly contributions to the Retiree Benefit Fund since 1999, based upon actuarial studies. In June 2006, the district created an Irrevocable Trust for retiree benefits. All funds in the Retiree Benefit Fund were transferred to the Irrevocable Trust.

As of the most recent valuation date, October 2018, the District's net OPEB liability is estimated to be \$696,049.

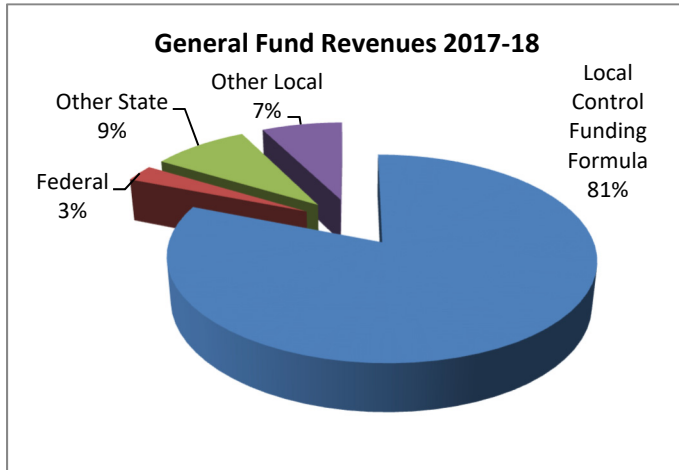
District Reserves and Net Ending Balance

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and identified as the District's "Net Ending Balance." Included within the projected net ending balance is a "reserve for economic uncertainties." The State of California requires districts of our size to retain at least a minimum amount equal to 3% of our budgeted expenditures to cover unforeseen shortfalls in revenues or expenditures that are higher than those budgeted. The District's reserve for economic uncertainty at June 30, 2018 is 9.74%. Also included in the net ending balance are carryover balances that originated from sources that can only be used for selected purposes. These revenues, called "restricted," can only be expended for the purposes as determined by the grantor, and the balances in these accounts carry the same restrictions as the originating income. Thus, a net ending balance is reflected with two types of accounts, those that are restricted that can be used for selected purposes only and those that are unrestricted and, thus, can be expended by decisions of the local agency.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

General Fund Revenues and Expenditures

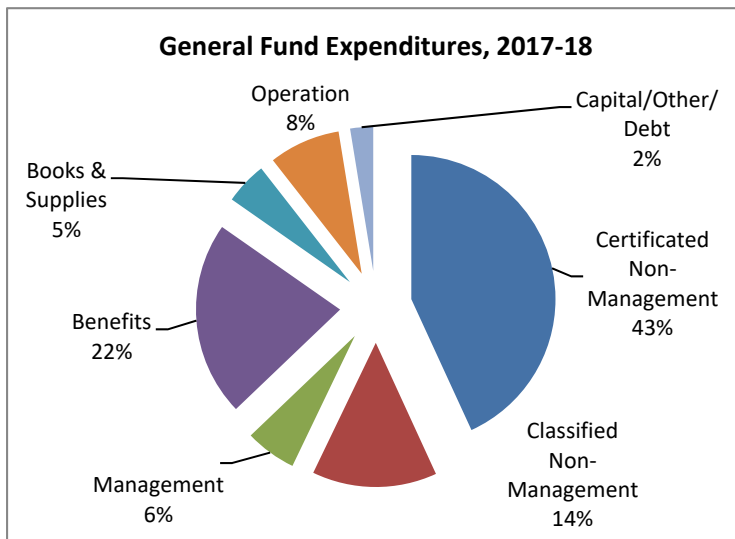


Most of the District's General Fund revenue is generated from the LCFF funding model, which yields funds based on a state-determined formula times the average number of students who are in attendance throughout the school year. Public education, unlike any other public agency, receives most of its revenue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

The second biggest source of revenue is state categorical income that must be spent for selected State-determined programs. The largest categorical program is funding for a portion of Special Education services.

All of the Federal income received by the District is restricted since it must be expended for purposes that are determined by the grantor and not the local Board of Trustees.

The District's total resources for expenditure in the budget year include a "beginning balance," which reflects a carryover unexpended balance from the prior year. Under the requirement of state law, a portion of the beginning balance must remain as a Reserve for Economic Uncertainties.



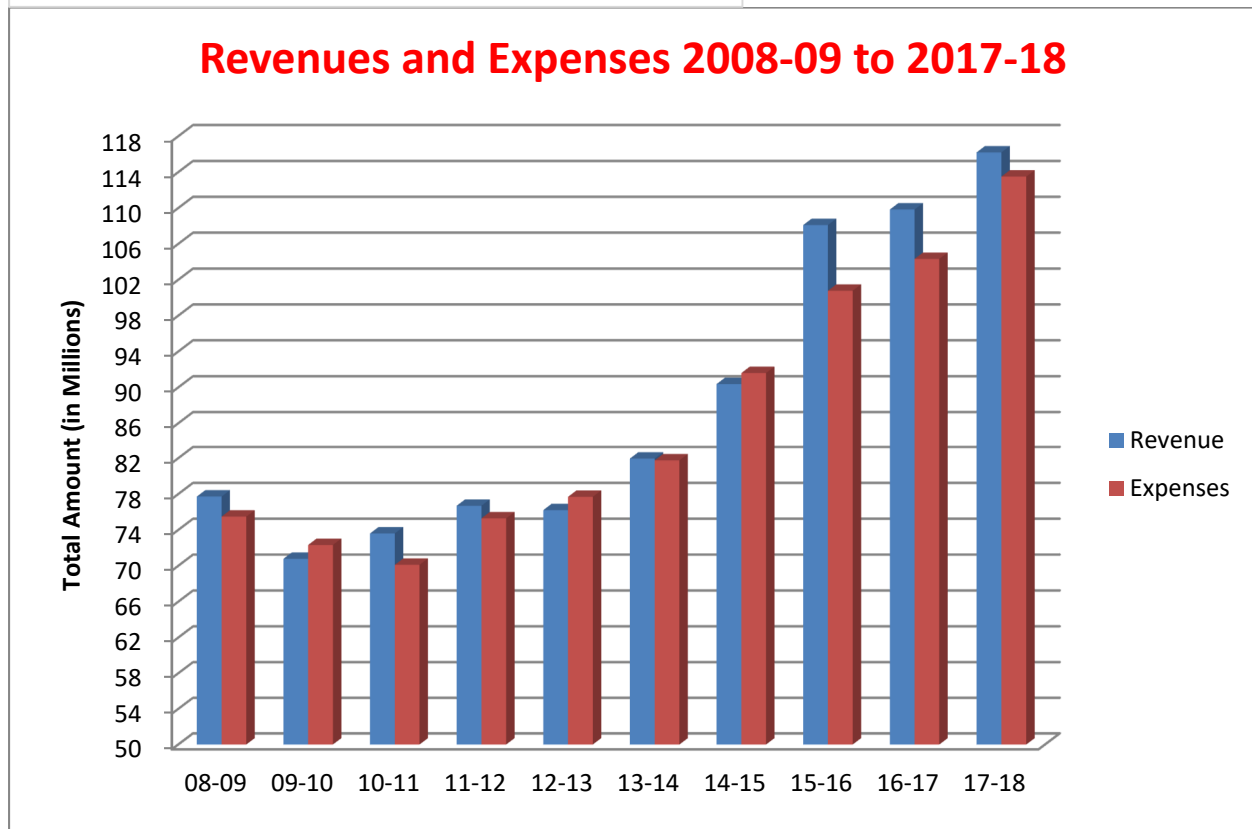
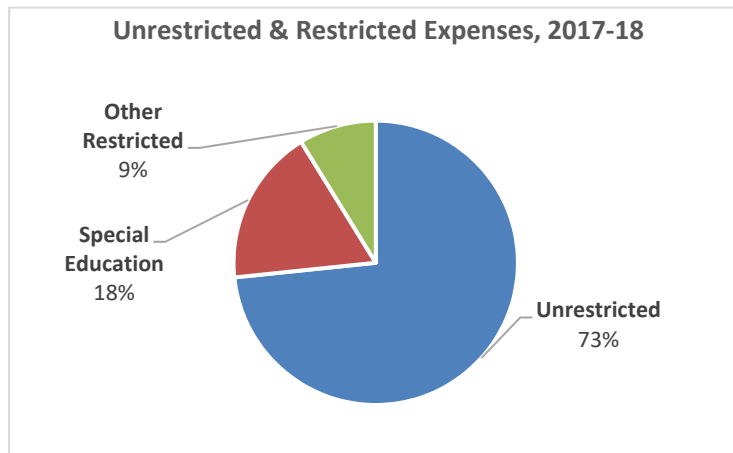
Most of the expenditures of the District were to pay the salaries and benefits of the employees of the District. It takes people to teach people, and in Rocklin Unified School District, 84.7% of the District's General Fund expenditures were for the services of District employees. Salaries represented 62.9% of District expenditures. The health and welfare benefits for District employees were an additional 21.8% of expenditures and included expenses for areas such as retirement, both State and Federal, medical, dental and life insurance plans, and workers' compensation expenses.

The biggest restricted program in the District is Special Education. Local agencies are obligated for this program to expend the income for selected program purposes.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

For Special Education, Rocklin Unified School District expended \$20.2 million to meet the obligations of the program and the obligations of State and Federal law. State and Federal Special Education income is significantly less than the obligations of the program and the district must use unrestricted or general-purpose income to address the full obligations of Special Education. The difference between the restricted income and the expenditures in Special Education is described as "encroachment" in that the expenditures "encroach" into the general-purpose revenues. Special Education encroachment in 2017-18 was \$10.7 million, or 53.0% and \$9.1 million, or 52.7%, in 2016-17.



ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments primarily fall into five categories:

- Changes made to adjust to the State adopted budget and subsequent State revisions.
- Changes made to adjust to actual enrollment needs once school begins.
- Increases for carryover of categorical funding and greater/less than expected enrollment of students.
- Adjustments in projections of special education funding and bill back charges by the Placer SELPA and County Office of Education.
- New federal and state funding, and subsequent adjustments to those allocations.

The District's final budget for the general fund reflected a decrease in fund balance of \$5.1 million, the projected increase as presented to the Board on June 27, 2018 was \$1.2 million, and the actual net increase in fund balance was \$2.7 million.

Revenues estimated in the revised budget were more than revenues in the original budget by \$4.5 million as the adopted budget did not include new one time Mandated Cost Reimbursement funding of \$1.6 million, new Capital Region Academies for the Next Economy (CRANE) grant funding of \$579k, E-Rate Equipment Reimbursement \$340k, Career Technical Education Incentive Grant (CTEIG) funding of \$269k, \$316k Title I funding, \$295k special education funding, nor \$179k in Medi-Cal funding

Actual revenues were greater than revised budget by \$1.3 million, which was mostly due to the LCFF funding increase (\$916k) due to an increase in ADA and gap funding from projected to actual. Original budgeted expenditures were \$9.9 million less than revised budget due primarily to the 2.0% compensation increase to employees for 2016-17 for partial year, budgeting of carryover, including capital projects in progress, and new funding listed above for change in revenues. Actual expenditures were \$6.5 million less than budgeted, mostly due to program, site and department budgets savings, and capital projects in process that will be carried over to 2018-19 for expenditure.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested \$222.8 million in a broad range of capital assets, including land, school buildings, athletic facilities, administrative buildings, computer and other equipment, and vehicles.

This amount represents a net decrease of \$3.9 million, or 1.72%, in 2017-18 and a decrease of \$6.0 million, or 2.59% in 2016-17. (More detailed information about capital assets can be found in Note 4 to the financial statements). The following projects were completed during 2017-18: Data center modernization at the District Office and Whitney High School; a portable at Sunset Ranch in the amount and lighting projects at Breen and Twin Oaks Elementary Schools. Total depreciation expense was \$7.4 million in 2017-18 and \$7.3 million in 2016-17. As of June 30, 2018, the District had construction in progress of \$2.2 million, of which \$1.5 million was for the proposed new Elementary School, \$288k for lighting projects at five school sites and \$250k was for blacktop replacement at Sierra Elementary School.

Long-Term Debt

At June 30, 2018, the District had \$302.6 million in general obligation bonds, Mello Roos Bonds, net pension liability and other long-term debt outstanding, an increase of \$2.5 million from last year. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

- The District continued to pay down its debt, retiring \$11.9 million in 2017-18 and \$39.7 million in 2016-17.
- \$275k of accreted interest accrued in 2017-18.

Bond Rating

In 2017 the District's general obligation bonds were rated AA- from Fitch and AA- from Standard & Poor's and the Mello-Roos bonds have carried a rating of AA- from Fitch and A- from Standard & Poor's.

DEBT LIMITATIONS

General Obligation Bonds

The statutory limitation for California school district general obligation bonds in any fiscal year is 2.5% of the District's assessed valuation minus the principal amount of any outstanding general obligation bonds of the District.

Mello-Roos Bonds

The California Government Code requires that the value of real property subject to a Mello-Roos special tax must be least three times the principal amount of the Mello-Roos bonds to be sold and the principal amount of all other outstanding bonds that are secured by a Mello-Roos special tax or a special assessment levied against the same property.

ROCKLIN UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions regarding this report or need additional financial information, contact the District Business Department, Rocklin Unified School District, 2615 Sierra Meadows Drive, Rocklin, CA 95677, (916) 624-2428.

BASIC FINANCIAL STATEMENTS

ROCKLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 72,532,611
Receivables	5,849,491
Stores inventory	25,462
Prepaid expenses	512,107
Advance receivable (Note 11)	12,007,831
Other current assets	1,539,910
Non-depreciable capital assets (Note 4)	46,121,109
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>176,714,150</u>
Total assets	<u>315,302,671</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - refunding debt	654,556
Deferred outflow of resources - OPEB (Note 9)	248,928
Deferred outflow of resources - pensions (Notes 7 and 8)	<u>34,552,991</u>
Total deferred outflows	<u>35,456,475</u>
LIABILITIES	
Accounts payable	4,746,240
Unearned revenue	131,464
Long-term liabilities (Notes 5, 7, 8 and 9):	
Due within one year	12,101,370
Due after one year	<u>290,448,697</u>
Total liabilities	<u>307,427,771</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>5,783,000</u>
NET POSITION	
Net investment in capital assets	118,191,872
Restricted:	
Legally restricted programs	9,369,220
Capital projects	33,008,430
Debt service	24,667,241
Unrestricted	<u>(147,688,388)</u>
Total net position	<u>\$ 37,548,375</u>

See accompanying notes to financial statements.

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 82,549,546	\$ 726,706	\$ 10,416,540	\$ -	\$ (71,406,300)
Instruction-related services:					
Supervision of instruction	3,766,436	16,983	561,743	-	(3,187,710)
Instructional library, media and technology	1,258,230	4,433	108,090	-	(1,145,707)
School site administration	8,576,275	1,322	332,476	-	(8,242,477)
Pupil services:					
Home-to-school transportation	1,572,925	-	947	-	(1,571,978)
Food services	2,757,513	1,510,568	1,112,484	-	(134,461)
All other pupil services	6,686,951	23,412	1,874,549	-	(4,788,990)
General administration:					
Data processing	2,395,174	-	-	-	(2,395,174)
All other general administration	4,745,247	126,404	489,717	-	(4,129,126)
Plant services	10,999,649	139,214	97,347	-	(10,763,088)
Ancillary services	1,230,044	-	35,261	-	(1,194,783)
Community services	198,252	1,346	162,660	-	(34,246)
Interest on long-term debt	8,999,868	-	-	-	(8,999,868)
Other outgo	853,719	5,004,799	899,605	-	5,050,685
Total governmental activities	<u>\$ 136,589,829</u>	<u>\$ 7,555,187</u>	<u>\$ 16,091,419</u>	<u>\$ -</u>	<u>(112,943,223)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					42,847,319
Taxes levied for debt service					24,491,149
Taxes levied for other specific purposes					933,254
Federal and state aid not restricted to specific purposes					56,954,850
Interest and investment earnings					334,823
Interagency revenues					491,701
Miscellaneous					<u>1,955,879</u>
Total general revenues and transfers					<u>128,008,975</u>
Change in net position					<u>15,065,752</u>
Net position, July 1, 2017					23,458,812
Cumulative impact due to implementation of GASB 75					<u>(976,189)</u>
Net position, July 1, 2017, restated					<u>22,482,623</u>
Net position, June 30, 2018					<u>\$ 37,548,375</u>

See accompanying notes to financial statements.

ROCKLIN UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Capital Facilities Fund	Capital Project for Blended Component Units Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 25,763,869	\$ 15,313,373	\$ 2,961,200	\$ 14,615,995	\$ 13,859,222	\$ 72,513,659
Cash on hand and in banks	6,673	-	-	-	1,579	8,252
Cash in revolving fund	10,500	-	-	-	200	10,700
Receivables	5,765,994	22,701	4,512	-	56,284	5,849,491
Due from other funds	347,191	-	-	-	48,417	395,608
Stores inventory	-	-	-	-	25,462	25,462
Prepaid expenditures	512,107	-	-	-	-	512,107
Advance receivable	-	-	12,007,831	-	-	12,007,831
Other current assets	-	-	-	1,539,910	-	1,539,910
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,539,910</u>	<u>-</u>	<u>1,539,910</u>
Total assets	<u>\$ 32,406,334</u>	<u>\$ 15,336,074</u>	<u>\$ 14,973,543</u>	<u>\$ 16,155,905</u>	<u>\$ 13,991,164</u>	<u>\$ 92,863,020</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,411,802	\$ 23,958	\$ 28,108	\$ -	\$ 129,230	\$ 4,593,098
Unearned revenue	131,464	-	-	-	-	131,464
Due to other funds	48,417	-	-	-	347,191	395,608
	<u>4,591,683</u>	<u>23,958</u>	<u>28,108</u>	<u>-</u>	<u>476,421</u>	<u>5,120,170</u>
Total liabilities	<u>4,591,683</u>	<u>23,958</u>	<u>28,108</u>	<u>-</u>	<u>476,421</u>	<u>5,120,170</u>
Fund balances:						
Nonspendable	522,607	-	-	-	25,662	548,269
Restricted	7,116,692	15,312,116	14,945,435	16,155,905	13,489,081	67,019,229
Committed	650,991	-	-	-	-	650,991
Assigned	8,222,132	-	-	-	-	8,222,132
Unassigned	11,302,229	-	-	-	-	11,302,229
	<u>27,814,651</u>	<u>15,312,116</u>	<u>14,945,435</u>	<u>16,155,905</u>	<u>13,514,743</u>	<u>87,742,850</u>
Total fund balances	<u>27,814,651</u>	<u>15,312,116</u>	<u>14,945,435</u>	<u>16,155,905</u>	<u>13,514,743</u>	<u>87,742,850</u>
Total liabilities and fund balances	<u>\$ 32,406,334</u>	<u>\$ 15,336,074</u>	<u>\$ 14,973,543</u>	<u>\$ 16,155,905</u>	<u>\$ 13,991,164</u>	<u>\$ 92,863,020</u>

See accompanying notes to financial statements.

ROCKLIN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds	\$ 87,742,850
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$348,188,697 and the accumulated depreciation is \$125,353,438 (Note 4).	222,835,259
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In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(153,142)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):

General obligation and special revenue bonds	\$ (91,319,768)	
Accreted interest	(81,107,707)	
Unamortized premiums	(98,175)	
Certificates of participation	(13,880,000)	
Net pension liability (Notes 7 and 8)	(115,044,000)	
Net other postemployment benefits (OPEB) liability (Note 9)	(696,049)	
Compensated absences	(404,368)	(302,550,067)

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).

Deferred outflows of resources relating to pensions	34,552,991	
Deferred inflows of resources relating to pensions	(5,783,000)	28,769,991

In government funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 9).

Deferred outflows of resources relating to OPEB	248,928
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(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
ECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Deferred outflows of resources resulting from defeasance of debt are not recorded in governmental funds. In governmental activities, for advanced refundings resulting in the defeasance of debt reported in the governmental activities, the difference between the reacquisition price and the net carrying amount of the retired debt are reported as deferred outflows of resources.

654,556

Total net position - governmental activities

\$ 37,548,375

See accompanying notes to financial statements.

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

	General Fund	Capital Facilities Fund	Capital Project for Blended Component Units Fund	Bond Interest Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 56,902,222	\$ -	\$ -	\$ -	\$ 1,236,848	\$ 58,139,070
Local sources	<u>37,209,376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,181</u>	<u>37,614,557</u>
Total LCFF	<u>94,111,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,642,029</u>	<u>95,753,627</u>
Federal sources	3,157,465	-	-	-	1,077,610	4,235,075
Other state sources	10,282,942	-	-	117,332	204,471	10,604,745
Other local sources	<u>8,648,802</u>	<u>4,700,653</u>	<u>492,970</u>	<u>15,977,890</u>	<u>10,287,818</u>	<u>40,108,133</u>
Total revenues	<u>116,200,807</u>	<u>4,700,653</u>	<u>492,970</u>	<u>16,095,222</u>	<u>13,211,928</u>	<u>150,701,580</u>
Expenditures:						
Current:						
Certificated salaries	54,138,689	1,966	-	-	700,274	54,840,929
Classified salaries	17,216,026	32,529	34,841	-	1,120,492	18,403,888
Employee benefits	24,785,623	11,506	11,788	-	523,410	25,332,327
Books and supplies	5,379,542	117,142	25,100	-	1,315,766	6,837,550
Contract services and operating expenditures	9,075,358	119,756	72,926	-	471,009	9,739,049
Other outgo	853,719	-	-	-	-	853,719
Capital outlay	2,082,061	42,902	1,316,135	-	72,711	3,513,809
Debt service:						
Principal payments	-	-	-	6,717,720	5,157,080	11,874,800
Interest	<u>-</u>	<u>-</u>	<u>612,569</u>	<u>6,732,381</u>	<u>1,453,889</u>	<u>8,798,839</u>
Total expenditures	<u>113,531,018</u>	<u>325,801</u>	<u>2,073,359</u>	<u>13,450,101</u>	<u>10,814,631</u>	<u>140,194,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,669,789</u>	<u>4,374,852</u>	<u>(1,580,389)</u>	<u>2,645,121</u>	<u>2,397,297</u>	<u>10,506,670</u>
Other financing sources (uses):						
Transfers in	190,278	-	1,600,000	-	162,693	1,952,971
Transfers out	<u>(162,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,790,278)</u>	<u>(1,952,971)</u>
Total other financing sources (uses)	<u>27,585</u>	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>(1,627,585)</u>	<u>-</u>
Net change in fund balances	2,697,374	4,374,852	19,611	2,645,121	769,712	10,506,670
Fund balances, July 1, 2017	<u>25,117,277</u>	<u>10,937,264</u>	<u>14,925,824</u>	<u>13,510,784</u>	<u>12,745,031</u>	<u>77,236,180</u>
Fund balances, June 30, 2018	<u>\$ 27,814,651</u>	<u>\$ 15,312,116</u>	<u>\$ 14,945,435</u>	<u>\$ 16,155,905</u>	<u>\$ 13,514,743</u>	<u>\$ 87,742,850</u>

See accompanying notes to financial statements.

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

Net change in fund balances - Total Governmental Funds	\$ 10,506,670
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	3,513,808
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(7,417,218)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	11,874,800
OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was (Note 9):	529,068
Unmatured interest is an expense that is not recorded in the governmental funds.	325,690
Accreted interest is an expense that is not recorded in the governmental funds (Note 5).	(275,452)
In governmental funds, debt issue premiums and loss on refunding are recognized as other financing sources (uses) in the period they are incurred. In the government-wide statements, premiums and losses are amortized over the life of the related debt (Note 5).	(251,267)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8):	(3,702,381)
In the statement of activities, expenses related compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(37,966)</u>
Change in net position of governmental activities	<u><u>\$ 15,065,752</u></u>

See accompanying notes to financial statements.

ROCKLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2018

	Trust Fund Retiree Benefit <u>Trust Fund</u>	Student Body	Agency Funds Warrant Pass- <u>Through Fund</u>
ASSETS			
Cash and investments (Note 2):			
Cash in County Treasury	\$ 7,296,511	\$ -	\$ 1,131,175
Cash on hand and in banks	-	1,215,472	-
Receivables	<u>11,075</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,307,586</u>	<u>\$ 1,215,472</u>	<u>\$ 1,131,175</u>
LIABILITIES			
Due to student groups	-	\$ 1,215,472	\$ -
Accounts payable	1,427	-	1,131,175
Unearned contributions	<u>36,055</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37,482</u>	<u>\$ 1,215,472</u>	<u>\$ 1,131,175</u>
NET POSITION			
Net position - restricted for retiree benefits	<u>\$ 7,270,104</u>		

See accompanying notes to financial statements.

ROCKLIN UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2018

	<u>Retiree Benefit Trust Fund</u>
Additions:	
Employer contributions	\$ 645,384
Investment income	116,619
Other local income	<u>595,296</u>
Total additions	1,357,299
Deductions:	
Benefits payments	<u>1,193,059</u>
Net increase in fiduciary net position	164,240
Net position, July 1, 2017	<u>7,105,864</u>
Net position, June 30, 2018	<u><u>\$ 7,270,104</u></u>

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rocklin 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 Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Reporting Entity: The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

Mello-Roos Community Facilities Districts: The District and Community Facilities Districts #1, #2 and #3 (the CFDs) have financial and operational relationships which meet the reporting entity definition criteria for inclusion of the CFDs as component units of the District. Accordingly, the financial activities of the CFDs have been included in the financial statements of the District.

The following are aspects of the relationship between the District and the CFDs which satisfy the inclusion criteria:

Accountability

1. The CFDs' Boards of Directors are the same as the District's Board of Trustees. Therefore, the District assumes all duties and responsibilities related to the CFDs. The CFDs have no employees of their own. The District's Superintendent, Associate Superintendent, and Director of Fiscal Services and Purchasing function as agents of the CFDs, but do not receive additional compensation for work performed in this capacity. The District charges the CFDs for certain administrative costs.

2. The District is able to impose its will upon the CFDs, based on the following:

- All major financing arrangements, contracts, and other transactions of the CFDs must have the consent of the District.
- The District exercises significant influence over operations of the CFDs.

3. The CFDs provide specific financial benefits or impose specific financial burdens on the District based upon the following:

- Proceeds of bond issues from the CFDs are used for capital outlay projects of the District.
- The District is responsible for assuring that the taxes collected are used to fund the cost of debt service.

Scope of Public Service

The CFDs were created for the sole purpose of financially assisting the District. The CFDs are community facilities districts created pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended by Chapter 2.5, Part 1, Division 2, Title 5, of the California Government Code established March 30, 1989. The CFDs were formed to provide financing assistance to the District for construction, rehabilitation, and acquisition of major capital facilities to support the student population.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Presentation

For financial presentation purposes, the CFD's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the CFD's financial activity within the District's debt service and capital projects funds. There are no separately issued financial statements. Special tax bonds issued by the CFDs are included in long-term liabilities of the District.

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

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

General Fund:

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

Capital Facilities Fund:

The Capital Facilities Fund is a capital projects fund used to account for financial resources used for the acquisition or construction of capital facilities by the District.

Capital Projects for Blended Component Units Fund:

The Capital Projects for Blended Component Units Fund is a capital projects fund used to account for financial resources used for the acquisition or construction of capital facilities by the District using bond funds.

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the repayment of General Obligation bonds, interest, and other debt related costs.

B - Other Funds

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

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

The Debt Service for Blended Component Units Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs.

The Retiree Benefits Trust Fund is used to account for amounts held by the District as Trustee, to be used to provide retiree benefits to retirees of the District.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Student Body Fund is used to account for revenues and expenditures of the various student body organizations. All cash activity, assets and liabilities of the various student bodies of the District are accounted for in the Student Body Fund. The District also has a warrant pass-through fund reported in the agency funds.

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

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

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

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

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

Stores Inventory: Stores inventory is valued using the purchases method in that the expense is recorded at the time of purchase. Inventories are recorded as an expenditure or expense at the time the individual inventory items are transferred from the warehouse to the schools or used in meal production.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$15,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Non-depreciable:			
Deferred outflows of resources	<u>\$ 26,405,574</u>	<u>\$ 8,147,417</u>	<u>\$ 34,552,991</u>
Deferred inflows of resources	<u>\$ 5,480,000</u>	<u>\$ 303,000</u>	<u>\$ 5,783,000</u>
Net pension liability	<u>\$ 89,321,000</u>	<u>\$ 25,723,000</u>	<u>\$115,044,000</u>
Pension expense	<u>\$ 14,081,783</u>	<u>\$ 4,869,806</u>	<u>\$ 18,951,589</u>

Compensated Absences: Compensated absence benefits in the amount of \$404,368 are recorded as a long-term liability of the District. The liability is for the earned but unused benefits.

Sick Leave Benefits: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or 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 for certain CalSTRS and CalPERS employees, when the employee retires.

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assigned Fund Balance:

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

E - Unassigned Fund Balance:

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

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

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

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

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

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

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

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. Based on the implementation of Statement No. 75, the District's July 1, 2017 net position was restated by decreasing net position by \$976,189 because of the recognition of the net OPEB liability.

NOTE 2 – CASH AND INVESTMENTS

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

	<u>Governmental Funds</u>	<u>Fiduciary Activities</u>
Pooled funds:		
Cash in County Treasury	\$ 72,513,659	\$ 8,427,686
Deposits:		
Cash on hand and in banks	8,252	1,215,472
Cash in revolving fund	<u>10,700</u>	<u>-</u>
Total deposits	<u>18,952</u>	<u>1,215,472</u>
Total	<u>\$ 72,532,611</u>	<u>\$ 9,643,158</u>

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. As of June 30, 2018, the carrying amount of the District's accounts were \$1,234,424 and bank balances were \$1,407,612, of which \$960,804 was insured.

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

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

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 – INTERFUND TRANSACTIONS

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

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 347,191	\$ 48,417
Non-Major Funds:		
Charter School	48,417	211,494
Cafeteria	<u>-</u>	<u>135,697</u>
Totals	<u>\$ 395,608</u>	<u>\$ 395,608</u>

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

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

Transfer from the Charter School Fund to the General Fund for indirect costs.	\$ 54,580
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	135,698
Transfer from the General Fund to the Special Reserve for Capital Outlay Fund for salary set asides for the new elementary school projected for fiscal year 2020-21.	162,693
Transfer from Debt Service for Blended Component Units Fund to the Capital Project for Blended Component Units Fund for future construction projects.	<u>1,600,000</u>
	<u>\$ 1,952,971</u>

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, <u>2017</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 43,939,583	\$ -	\$ -	\$ 43,939,583
Work-in-process	683,104	1,985,044	486,622	2,181,526
Depreciable:				
Improvement of sites	37,134,134	-	-	37,134,134
Buildings	255,186,293	1,265,952	-	256,452,245
Equipment	<u>7,754,829</u>	<u>749,434</u>	<u>23,054</u>	<u>8,481,209</u>
Totals, at cost	<u>344,697,943</u>	<u>4,000,430</u>	<u>509,676</u>	<u>348,188,697</u>
Less accumulated depreciation:				
Improvement of sites	(27,198,524)	(1,618,267)	-	(28,816,791)
Buildings	(85,388,195)	(5,479,324)	-	(90,867,519)
Equipment	<u>(5,372,555)</u>	<u>(319,627)</u>	<u>(23,054)</u>	<u>(5,669,128)</u>
Total accumulated depreciation	<u>(117,959,274)</u>	<u>(7,417,218)</u>	<u>(23,054)</u>	<u>(125,353,438)</u>
Capital assets, net	<u>\$ 226,738,669</u>	<u>\$ (3,416,788)</u>	<u>\$ 486,622</u>	<u>\$ 222,835,259</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 6,487,852
Instructional library, media and technology	119,596
School site administration	382,827
Home-to-school transportation	92,159
Food services	16,176
All other general administration	119,596
Data processing	<u>199,012</u>
Total depreciation expense	<u>\$ 7,417,218</u>

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – LONG-TERM LIABILITIES

Bonded Debt: The outstanding debt of the District as of and during June 30, 2018 was as follows:

	Interest Rate %	Final Maturity Fiscal Year Ending June	Amount of Original Issue ²	Outstanding July 1, 2017	Issued (Redeemed) Current Year	Outstanding June 30, 2018
1991 G.O. Bond Series B	5.00%- 6.40%	2020	6,998,803	709,669	(237,943)	471,726
1991 G.O. Bond Series C	5.00%- 6.35%	2021	10,779,334	1,452,783	(370,544)	1,082,239
2002 G.O. Bond	5.08%- 5.71%	2028	19,998,745	19,998,745	(1,919,127)	18,079,618
2003 G.O. Bond	4.99%- 5.59%	2029	31,998,859	31,998,859	(2,575,106)	29,423,753
2017 G.O. Bond	1.97%	2024	11,790,000	11,790,000	(1,615,000)	10,175,000
Series 1998 – CFD #1	3.75%- 4.95%	2021	13,781,144	3,126,144	(995,000)	2,131,144
Series 2000 – CFD #1	4.75%- 6.10%	2026	16,415,790	1,835,790	-	1,835,790
Series 2001 – CFD #1	2.50%- 5.50%	2024	11,498,773	2,854,861	(471,107)	2,383,754
Series 2007 – CFD #1	4.00%- 5.41%	2039	6,793,381	3,633,381	(420,000)	3,213,381
Series 2007 – CFD #1	4.00%- 5.25%	2021	26,625,000	7,310,000	(2,145,000)	5,165,000
Series 2007 – CFD #2	4.00%- 5.36%	2039	12,309,968	8,584,336	(460,973)	8,123,363
Series 2017 – CFD #1	2.37%	2030	9,900,000	9,900,000	(665,000)	9,235,000
			<u>\$ 178,889,797</u>	<u>\$ 103,194,568</u>	<u>\$ (11,874,800)</u>	<u>\$ 91,319,768</u>

The annual payments required to amortize the general obligation and mello-roos bonds outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 11,665,575	\$ 8,697,891	\$ 20,363,466
2020	10,475,599	10,196,300	20,671,899
2021	10,609,723	10,233,017	20,842,740
2022	9,583,488	11,487,158	21,070,646
2023	9,162,316	11,346,368	20,508,684
2024-2028	31,219,822	59,293,893	90,513,715
2029-2033	6,929,064	17,586,217	24,515,281
2034-2038	1,534,685	5,025,315	6,560,000
2039-2040	<u>139,496</u>	<u>570,504</u>	<u>710,000</u>
	<u>\$ 91,319,768</u>	<u>\$ 134,436,663</u>	<u>\$ 225,756,431</u>

Refundings: The District issued 2017 General Obligation Refunding Bonds to refund the series 1998 and 1999 general obligation bonds in the amount of \$4,259,197. On June 30, 2018, \$4,259,197 of bonds outstanding are considered defeased.

The District issued CFD # 1 Special Tax Bonds, Refunding Series 2017 to refund the series 2004 special tax bonds in the amount of \$9,340,000. On June 30, 2018, \$9,340,000 of special tax bonds outstanding are considered defeased.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Certificates of Participation: The District issued Certificates of Participation (COPs) in the amount of \$19,890,000 during the 2006-07 fiscal year. During the year ended June 30, 2014, the District made a \$5,500,000 principal payment, including a \$4,970,000 partial redemption approved by the Board. The remaining COPs carry a variable interest rate ranging from 4.125% to 4.50%, and mature October 1, 2035 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 612,569	\$ 612,569
2020	-	612,569	612,569
2021	-	612,569	612,569
2022	25,000	612,053	637,053
2023	740,000	596,275	1,336,275
2024-2028	4,190,000	2,477,731	6,667,731
2029-2033	5,205,000	1,443,263	6,648,263
2034-2037	<u>3,720,000</u>	<u>256,050</u>	<u>3,976,050</u>
	<u>\$ 13,880,000</u>	<u>\$ 7,223,079</u>	<u>\$ 21,103,079</u>

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

	<u>Balance July 1, 2017 as Restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 65,950,056	\$ -	\$ 6,717,720	\$ 59,232,336	\$ 6,437,858
Mello-Roos Bonds	37,244,512	-	5,157,080	32,087,432	5,227,717
Accreted interest	80,832,255	275,452	-	81,107,707	-
Unamortized premiums	129,602	-	31,427	98,175	31,427
Certificates of participation	13,880,000	-	-	13,880,000	-
Net pension liability (Notes 7 and 8)	100,632,000	14,412,000	-	115,044,000	-
Net OPEB liability (Note 9)	976,189	365,244	645,384	696,049	-
Compensated absences	<u>366,402</u>	<u>37,966</u>	<u>-</u>	<u>404,368</u>	<u>404,368</u>
	<u>\$ 300,011,016</u>	<u>\$ 15,090,662</u>	<u>\$ 12,551,611</u>	<u>\$ 302,550,067</u>	<u>\$ 12,101,370</u>

Payments on the General Obligation Bonds are made from the Bond Interest & Redemption Fund. Payments on Mello-Roos Bonds are made from the Debt Service for Blended Component Units Fund. Unamortized bond issuance premiums are amortized over the life of the related debt. Payments on the compensated absences and OPEB liability were made from the fund for which the related employee worked.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – FUND BALANCES

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

	General Fund	Capital Facilities Fund	Capital Project for Blended Component Unit Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 10,500	\$ -	\$ -	\$ -	\$ 200	\$ 10,700
Stores inventory	-	-	-	-	25,462	25,462
Prepaid expenditures	<u>512,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,107</u>
Subtotal nonspendable	<u>522,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,662</u>	<u>548,269</u>
Restricted:						
Legally restricted programs	7,116,692	-	-	-	2,226,866	9,343,558
Capital projects	-	15,312,116	14,945,435	-	2,750,879	33,008,430
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,155,905</u>	<u>8,511,336</u>	<u>24,667,241</u>
Subtotal restricted	<u>7,116,692</u>	<u>15,312,116</u>	<u>14,945,435</u>	<u>16,155,905</u>	<u>13,489,081</u>	<u>67,019,229</u>
Committed:						
Facility use and repair	393,839	-	-	-	-	393,839
Cell tower	<u>257,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,152</u>
Subtotal assigned	<u>650,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,991</u>
Assigned:						
Technology/books	3,963,196	-	-	-	-	3,963,196
Tier III carryover	1,441,355	-	-	-	-	1,441,355
Site discretionary carryover	454,452	-	-	-	-	454,452
Other site and departmental carryover	379,342	-	-	-	-	379,342
Supplemental carryover	378,220	-	-	-	-	378,220
Negotiation settlement	1,579,932	-	-	-	-	1,579,932
Other	<u>25,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,635</u>
Subtotal assigned	<u>8,222,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,222,132</u>
Unassigned:						
Designated for economic uncertainty	<u>11,302,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,302,229</u>
Total fund balances	<u>\$ 27,814,651</u>	<u>\$ 15,312,116</u>	<u>\$ 14,945,435</u>	<u>\$ 16,155,905</u>	<u>\$ 13,514,743</u>	<u>\$ 87,742,850</u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a full-time basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

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

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-2018. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-2018.

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

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

Employers – 14.43 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-2018 through fiscal year 2045-46 are summarized in the table below:

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

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The District contributed \$7,812,574 to the plan for the fiscal year ended June 30, 2018.

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

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

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

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 1, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District's proportionate share of the net pension liability	\$ 89,321,000
State's proportionate share of the net pension liability associated with the District	<u>52,842,000</u>
Total	<u><u>\$ 142,163,000</u></u>

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District's proportion was 0.097 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$14,081,783 and revenue of \$5,183,217 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 330,000	\$ 1,558,000
Changes of assumptions	16,548,000	-
Net differences between projected and actual earnings on investments	-	2,379,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,715,000	1,543,000
Contributions made subsequent to measurement date	<u>7,812,574</u>	<u>-</u>
Total	<u>\$ 26,405,574</u>	<u>\$ 5,480,000</u>

\$7,812,574 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 625,983
2020	\$ 4,101,983
2021	\$ 2,821,483
2022	\$ 491,483
2023	\$ 2,357,233
2024	\$ 2,714,835

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

<u>Assumption</u>	<u>Measurement Period</u>	
	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$131,151,000</u>	<u>\$ 89,321,000</u>	<u>\$ 55,372,000</u>

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

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>

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

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

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

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

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-2018.

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

The District contributed \$2,253,417 to the plan for the fiscal year ended June 30, 2018.

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

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

At June 30, 2018, the District reported a liability of \$25,723,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District's proportion was 0.108 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,869,806. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 922,000	\$ -
Changes of assumptions	3,757,000	303,000
Net differences between projected and actual earnings on investments	890,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	325,000	-
Contributions made subsequent to measurement date	<u>2,253,417</u>	<u>-</u>
Total	<u>\$ 8,147,417</u>	<u>\$ 303,000</u>

\$2,253,417 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended	
<u>June 30,</u>	
2019	\$ 1,697,917
2020	\$ 2,581,917
2021	\$ 1,798,416
2022	\$ (487,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

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

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

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	<u>\$ 37,846,000</u>	<u>\$ 25,723,000</u>	<u>\$ 15,665,000</u>

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees and their spouses through an implicit rate subsidy for all retirees who elect to purchase benefits at the District's negotiated insurance premium rates. The plan does not issue separate financial statements.

The Rocklin Unified School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plan to continue medical, dental and life insurance coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. During the year ended June 30, 2006 the District signed an irrevocable trust (the Trust) agreement and began accumulating funds in the Retiree Benefits Fund. The District's superintendent or designee is acting as the Trust administrator, the Rocklin Board of Trustees (the Board) has been designated as the trustee and fiduciary, and the Placer County Treasurer-Tax Collector is serving as the custodial agent.

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

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	121
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>44</u>
	<u>165</u>

Benefits Provided: The District provides post-employment healthcare benefits to all employees who retire at age fifty-five (55) with fifteen years of service under a single employer defined benefit OPEB plan. The plan does not issue separate financial statements. These benefits are paid as the expense is incurred. The following is a description of the current retiree benefit plan:

	<u>Certificated</u>	<u>Classified</u>	<u>Confidential</u>
Eligible Employees	Hired before February 7, 1991	Hired before February 27, 1997	Hired before April 19, 2002
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of benefits	Lifetime	To age 65***	To age 65***
Required Service	15 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	No*	Yes	No
District Contribution %	100%	100%	100%
District Cap	\$490 per month**	\$328 per month	\$500 per month

*Those retired prior to June 30, 1983 are eligible for spouse coverage

**No cap for those retired prior to October 11, 1996

***Employees hired before December 1, 1993 are eligible for lifetime coverage

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. The contribution requirements of plan members and the District are established and may be amended by the Board and by contractual agreement with employee groups. The District's plan members are not required to contribute to the plan. The June 30, 2018 contributions consist of \$645,384 paid from the General Fund to the Retiree Benefits Fund. Additionally, the trustee may amend or modify the benefits if the contributions to the trust and reserves of the trust are insufficient to maintain the benefits of participants and dependents.

OPEB Plan Investments: The District Board of Trustees authorized the District's Chief Fiscal Officer to invest and reinvest surplus funds on behalf of the District and the Plan. The Board recognizes that the District's Chief Fiscal Officer has fiduciary responsibility for any funds invested outside the county treasury and is subject to prudent investor standards for all investment decisions. As such, he/she shall act with care, skill, prudence and diligence under the prevailing circumstances, including but not limited to the general economic conditions and the anticipated needs of the district. The investment objectives shall be to first safeguard the principal of the funds, then meet the district's liquidity needs and, third, to achieve a return on the funds.

The plan discount rate of 6% was determined using the following asset allocation and assumed rate of return presented as geometric means:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Real Rate of Return</u>
Intermediate-Term Government Bonds	25	4.50%
Long-Term Corporate Bonds	25	5.29%
Long-Term Government Bonds	25	4.50%
Short-Term Government Bonds	25	3.25%

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years. The money-weighted rate of return on plan assets was 1.60% for the year ended June 30, 2018.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Valuation date	June 30, 2018
Census data	The census was provided by the District as of June 30, 2017
Actuarial cost method	Entry age normal
Amortization methods	Flat dollar amount allocation with 18 year closed amortization
Inflation rate	2.75%
Investment rate of return	6.00%
Discount rate	6.00%
Health care cost trend rate	4.00%
Payroll increase	2.75%
Participation rates	100% for certificated and classified employees
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used
Spouse relevance	To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality
Spouse ages	To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male
Turnover	For certificated employees the 2009 CalSTRS termination rates were used For classified employees the 2009 CalPERS termination rates for school employees were used
Service requirement	For certificated employees 100% at 15 years of service For classified employees 100% at 15 years of service
Retirement rates	For certificated employees the 2009 CalSTRS retirement rates were used For classified employees the 2009 CalPERS retirement rates for employees were used

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2017	<u>\$ 8,082,053</u>	<u>\$ 7,105,864</u>	<u>\$ 976,189</u>
Changes for the year:			
Service cost	14,441	-	14,441
Interest	467,423	-	467,423
Plan member contributions	-	-	-
Employer contributions	-	645,384	(645,384)
Expected interest income	-	427,780	(427,780)
Investment gains	-	(311,160)	311,160
Administrative expense	-	-	-
Benefit payments	<u>(597,764)</u>	<u>(597,764)</u>	<u>-</u>
Net change	(115,900)	164,240	(280,140)
Balance, June 30, 2018	<u><u>\$ 7,966,153</u></u>	<u><u>\$ 7,270,104</u></u>	<u><u>\$ 696,049</u></u>

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

Sensitivity of the Net Pension Liability to Assumptions: The following presents the net OPEB liability calculated using the discount rate of 6.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (5.0 percent) and 1 percent higher (7.0):

	Discount Rate 1% Lower (5.0%)	Valuation Discount Rate (6.0%)	Discount Rate 1% Higher (7.0%)
Net OPEB Liability	<u>\$ 1,351,038</u>	<u>\$ 696,049</u>	<u>\$ 128,613</u>

The following table presents the net OPEB liability calculated using the health care cost trend rate of 4.0 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (3.0 percent) and 1 percent higher (5.0 percent):

	Health Care Trend Rate 1% Lower (3.0%)	Valuation Health Care Trend Rate (4.0%)	Health Care Trend Rate 1% Higher (5.0%)
Net OPEB Liability	<u>\$ 591,034</u>	<u>\$ 696,049</u>	<u>\$ 753,406</u>

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$116,316. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	248,928	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Benefits made subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u><u>\$ 248,928</u></u>	<u><u>\$ -</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>		
2019	\$	62,232
2020	\$	62,232
2021	\$	62,232
2022	\$	62,232

Differences between projected and actual earnings on investment are amortized over a closed period of 4 years as of the June 30, 2018 measurement date.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 – JOINT POWERS AUTHORITIES

Schools Insurance Group: The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada counties and their respective County Offices of Education. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operation of SIG, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

Condensed financial information for SIG for the year ended June 30, 2017, is as follows:

Total assets	\$ 96,653,616
Total liabilities	\$ 33,655,146
Net position	\$ 62,998,470
Total revenues	\$ 91,193,928
Total expenses	\$ 85,707,759
Change in net position	\$ 5,486,169

Southern Placer School Transportation Authority: The District is also a member of the Southern Placer School Transportation Authority (SPSTA), a Joint Powers Authority established for the operation of pupil transportation maintenance services and classroom facilities. The District is a member with Eureka Union School District. Each member district has representatives on the Governing Board. Each member of that Board has equal voting rights. The Governing Board has decision-making authority, which includes the power to designate management, and the ability to significantly influence operations. The District has advanced the SPSTA funds to facilitate land banking for future District school site development. The balance at June 30, 2018 was \$12,007,831 and it is recorded in the Capital Project Blended Components Units Fund as an advance receivable.

Condensed financial information for SPSTA for the year ended June 30, 2018, is as follows:

Total assets	\$ 13,925,447
Total liabilities	\$ 12,007,831
Net position	\$ 1,917,616
Total revenues	\$ 53,984
Total expenses	\$ 9,496
Change in net position	\$ 44,488

Complete separate financial statements for either JPA may be obtained at the District office at 2615 Sierra Meadows Drive, Rocklin, CA 95677.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - ADVANCE RECEIVABLE

On November 1, 2006, the District entered into an agreement with Southern Placer Schools Transportation Authority (the "Authority") and issued an advance of \$16,010,441 funded by the District's \$19,890,000 2006 Certificates of Participation (Property Acquisition Financing), for the purpose of assisting the Authority in the acquisition of school sites. The 2006 Certificates of Participation include a provision for the use of leased property. Payment of this advance will occur at such time(s) that the District determines the need for the school site(s) and title is transferred from the Authority to the District or upon determination by the District not to acquire title and the subsequent disposal of sites upon terms mutually agreeable to the District and the Authority. As of the year ended June 30, 2018, \$12,007,831 remains with the Authority.

NOTE 12 – CONTINGENCIES

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

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

NOTE 13 - SUBSEQUENT EVENT

An agreement was reached with the Rocklin Teachers' Professional Association (RTPA) on employee compensation and benefit increases for 2017-18 on September 11, 2018 and with California State Employees Association (CSEA) on September 17, 2018, effective July 1, 2018. The Governing Board approved the agreements on October 17, 2018 for RTPA and CSEA (the bargaining units ratified their respective agreements prior to this board meeting). The Board approved the compensation increases for 2017-18, effective July 1, 2018, for the rest of the Districts' employees that are not part of a bargaining unit on November 7, 2018. The cost of the salary and benefit increases for 2017-18 for all employees was approximately \$1.7 million.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKLIN UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:				
LCFF:				
State apportionment	\$ 58,629,106	\$ 56,538,834	\$ 56,902,222	\$ 363,388
Local sources	<u>34,463,708</u>	<u>36,657,942</u>	<u>37,209,376</u>	<u>551,434</u>
Total LCFF	<u>93,092,814</u>	<u>93,196,776</u>	<u>94,111,598</u>	<u>914,822</u>
Federal sources	2,717,500	3,497,356	3,157,465	(339,891)
Other state sources	9,770,677	10,063,071	10,282,942	219,871
Other local sources	<u>6,563,702</u>	<u>8,132,446</u>	<u>8,648,802</u>	<u>516,356</u>
Total revenues	<u>112,144,693</u>	<u>114,889,649</u>	<u>116,200,807</u>	<u>1,311,158</u>
Expenditures:				
Current:				
Certificated salaries	53,434,177	54,138,743	54,138,689	54
Classified salaries	16,916,365	17,216,978	17,216,026	952
Employee benefits	24,010,577	24,787,079	24,785,623	1,456
Books and supplies	4,906,095	10,152,822	5,379,542	4,773,280
Contract services and operating expenditures	8,365,839	10,298,988	9,075,358	1,223,630
Other outgo	1,136,762	913,606	853,719	59,887
Capital outlay	<u>1,186,791</u>	<u>2,498,099</u>	<u>2,082,061</u>	<u>416,038</u>
Total expenditures	<u>109,956,606</u>	<u>120,006,315</u>	<u>113,531,018</u>	<u>6,475,297</u>
Excess (deficiency) of revenues over (under) expenditures	2,188,087	(5,116,666)	2,669,789	7,786,455
Other financing sources (uses):				
Transfers in	177,303	177,303	190,278	12,975
Transfers out	<u>(162,693)</u>	<u>(162,693)</u>	<u>(162,693)</u>	<u>-</u>
Other financing sources (uses)	<u>14,610</u>	<u>14,610</u>	<u>27,585</u>	<u>12,975</u>
Net change in fund balance	2,202,697	(5,102,056)	2,697,374	7,799,430
Fund balance, July 1, 2017	<u>25,117,277</u>	<u>25,117,277</u>	<u>25,117,277</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 27,319,974</u>	<u>\$ 20,015,221</u>	<u>\$ 27,814,651</u>	<u>\$ 7,799,430</u>

See accompanying note to required supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018

Last 10 Fiscal Years		
	<u>2017</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 14,055	\$ 14,441
Interest on total OPEB liability	474,272	467,423
Benefit payments	<u>(607,938)</u>	<u>(597,764)</u>
Net change in total OPEB liability	(119,611)	(115,900)
Total OPEB liability - beginning of year (a)	<u>8,201,664</u>	<u>8,082,053</u>
Total OPEB liability - end of year (b)	<u><u>\$ 8,082,053</u></u>	<u><u>\$ 7,966,153</u></u>
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 635,644	\$ 645,384
Net investment income	96,071	116,620
Benefit payments	<u>(653,271)</u>	<u>(597,764)</u>
Change in plan fiduciary net position	78,444	164,240
Fiduciary trust net position - beginning of year (c)	<u>7,027,420</u>	<u>7,105,864</u>
Fiduciary trust net position - end of year (d)	<u><u>\$ 7,105,864</u></u>	<u><u>\$ 7,270,104</u></u>
Net OPEB liability - beginning (a) - (c)	<u><u>\$ 1,174,244</u></u>	<u><u>\$ 976,189</u></u>
Net OPEB liability - ending (b) - (d)	<u><u>\$ 976,189</u></u>	<u><u>\$ 696,049</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	88%	91%
Covered employee payroll	\$ 2,999,690	\$ 2,999,690
Net OPEB liability as a percentage of covered employee payroll	33%	23%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Other Postemployment Benefits
Last 10 Fiscal Years

	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 635,644	\$ 645,384
Contributions in relation to the actuarially determined contribution	<u>(635,644)</u>	<u>(645,384)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,999,690	\$ 2,999,690
Contributions as a percentage of covered employee payroll	21.19%	21.52%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN INVESTMENTS
For the Year Ended June 30, 2018

Last 10 Fiscal Years

	<u>2017</u>	<u>2018</u>
Money-weighted rate of return on OPEB plan investments	1.35%	1.60%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

See accompanying note to required supplementary information.

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.095%	0.099%	0.098%	0.097%
District's proportionate share of the net pension liability	\$ 55,515,150	\$ 66,650,760	\$ 79,470,000	\$ 89,321,000
District's proportionate share of the net pension liability associated with the District	<u>33,583,093</u>	<u>35,399,000</u>	<u>45,245,000</u>	<u>52,842,000</u>
Total net pension liability	<u>\$ 89,098,243</u>	<u>\$102,049,760</u>	<u>\$124,715,000</u>	<u>\$142,163,000</u>
District's covered payroll	\$ 42,909,664	\$ 46,144,000	\$ 48,968,000	\$ 51,173,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	129.38%	144.44%	162.29%	174.55%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.102%	0.106%	0.107%	0.108%
District's proportionate share of the net pension liability	\$ 11,534,074	\$ 15,668,725	\$ 21,162,000	\$ 25,723,000
District's covered payroll	\$ 10,668,000	\$ 11,773,000	\$ 12,855,000	\$ 13,622,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.12%	133.09%	164.62%	188.83%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 4,097,593	\$ 5,254,234	\$ 6,437,566	\$ 7,812,574
Contributions in relation to the contractually required contribution	<u>(4,097,593)</u>	<u>(5,254,234)</u>	<u>(6,437,566)</u>	<u>(7,812,574)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 46,144,000	\$ 48,968,000	\$ 51,173,000	\$ 54,141,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,385,625	\$ 1,522,927	\$ 1,891,806	\$ 2,253,417
Contributions in relation to the contractually required contribution	<u>(1,385,625)</u>	<u>(1,522,927)</u>	<u>(1,891,806)</u>	<u>(2,253,417)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,773,000	\$ 12,855,000	\$ 13,622,000	\$ 14,509,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB Liability presents multi-year information which illustrates the changes in the net OPEB liability for each year presented

C - Schedule of the District's Contributions - OPEB

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

D - Schedule of Money-Weighted Rate of Return on OPEB Plan Investments

The Schedule of Money-Weighted Rate of Return (MWRR) on OPEB Plan Investments presents multi-year information for the MWRR associated with the OPEB trust.

E - Schedule of the District's Proportionate Share of the Net Pension Liability

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

F – Schedule of the District's Contributions

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

G – Changes of Benefit Terms

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES (Continued)

H - Changes of Assumptions

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

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

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

SUPPLEMENTARY INFORMATION

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

	Charter School Fund	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Debt Service for Blended Component Unit Fund	Total
ASSETS							
Cash in County Treasury	\$ 434,077	\$ 782,053	\$ 1,395,633	\$ 2,487,602	\$ 259,349	\$ 8,500,508	\$ 13,859,222
Cash on hand and in banks	-	1,579	-	-	-	-	1,579
Cash in revolving fund	-	200	-	-	-	-	200
Receivables	6,218	31,448	1,850	3,781	147	12,840	56,284
Due from other funds	48,417	-	-	-	-	-	48,417
Stores inventory	-	25,462	-	-	-	-	25,462
Total assets	<u>\$ 488,712</u>	<u>\$ 840,742</u>	<u>\$ 1,397,483</u>	<u>\$ 2,491,383</u>	<u>\$ 259,496</u>	<u>\$ 8,513,348</u>	<u>\$ 13,991,164</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 52,161	\$ 25,982	\$ 49,075	\$ -	\$ -	\$ 2,012	\$ 129,230
Due to other funds	211,494	135,697	-	-	-	-	347,191
Total liabilities	<u>263,655</u>	<u>161,679</u>	<u>49,075</u>	<u>-</u>	<u>-</u>	<u>2,012</u>	<u>476,421</u>
Fund balances:							
Nonspendable	-	25,662	-	-	-	-	25,662
Restricted	225,057	653,401	1,348,408	2,491,383	259,496	8,511,336	13,489,081
Fund balances	<u>225,057</u>	<u>679,063</u>	<u>1,348,408</u>	<u>2,491,383</u>	<u>259,496</u>	<u>8,511,336</u>	<u>13,514,743</u>
Total liabilities and fund balances	<u>\$ 488,712</u>	<u>\$ 840,742</u>	<u>\$ 1,397,483</u>	<u>\$ 2,491,383</u>	<u>\$ 259,496</u>	<u>\$ 8,513,348</u>	<u>\$ 13,991,164</u>

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

	Charter School <u>Fund</u>	Cafeteria <u>Fund</u>	Deferred Maintenance <u>Fund</u>	County School Facilities <u>Fund</u>	Special Reserve for Capital Outlay <u>Fund</u>	Debt Service for Blended Component Unit <u>Fund</u>	<u>Total</u>
Revenues:							
Local Control Funding Formula (LCFF):							
State apportionment	\$ 759,957	\$ -	\$ 476,891	\$ -	\$ -	\$ -	\$ 1,236,848
Local sources	<u>405,181</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,181</u>
Total LCFF	<u>1,165,138</u>	<u>-</u>	<u>476,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,642,029</u>
Federal sources	-	1,077,610	-	-	-	-	1,077,610
Other state sources	133,175	71,296	-	-	-	-	204,471
Other local sources	<u>6,196</u>	<u>1,610,485</u>	<u>6,828</u>	<u>39,935</u>	<u>1,552</u>	<u>8,622,822</u>	<u>10,287,818</u>
Total revenues	<u>1,304,509</u>	<u>2,759,391</u>	<u>483,719</u>	<u>39,935</u>	<u>1,552</u>	<u>8,622,822</u>	<u>13,211,928</u>
Expenditures:							
Current:							
Certificated salaries	700,274	-	-	-	-	-	700,274
Classified salaries	69,568	1,050,924	-	-	-	-	1,120,492
Employee benefits	238,969	284,441	-	-	-	-	523,410
Books and supplies	35,283	1,244,632	35,851	-	-	-	1,315,766
Contract services and operating expenditures	195,005	29,568	246,436	-	-	-	471,009
Capital outlay	-	-	72,711	-	-	-	72,711
Debt service:							
Principal payments	-	-	-	-	-	5,157,080	5,157,080
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,453,889</u>	<u>1,453,889</u>
Total expenditures	<u>1,239,099</u>	<u>2,609,565</u>	<u>354,998</u>	<u>-</u>	<u>-</u>	<u>6,610,969</u>	<u>10,814,631</u>
Excess of revenues over expenditures	<u>65,410</u>	<u>149,826</u>	<u>128,721</u>	<u>39,935</u>	<u>1,552</u>	<u>2,011,853</u>	<u>2,397,297</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	162,693	-	162,693
Transfers out	<u>(54,580)</u>	<u>(135,698)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,600,000)</u>	<u>(1,790,278)</u>
Total other financing sources (uses)	<u>(54,580)</u>	<u>(135,698)</u>	<u>-</u>	<u>-</u>	<u>162,693</u>	<u>(1,600,000)</u>	<u>(1,627,585)</u>
Net change in fund balances	10,830	14,128	128,721	39,935	164,245	411,853	769,712
Fund balances, July 1, 2017	<u>214,227</u>	<u>664,935</u>	<u>1,219,687</u>	<u>2,451,448</u>	<u>95,251</u>	<u>8,099,483</u>	<u>12,745,031</u>
Fund balances, June 30, 2018	<u>\$ 225,057</u>	<u>\$ 679,063</u>	<u>\$ 1,348,408</u>	<u>\$ 2,491,383</u>	<u>\$ 259,496</u>	<u>\$ 8,511,336</u>	<u>\$ 13,514,743</u>

ROCKLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT BODY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Student Body</u>				
<u>Rocklin High School</u>				
Assets:				
Cash on hand and in banks	\$ 518,618	\$ 1,694,656	\$ 1,573,975	\$ 639,299
Liabilities:				
Due to student groups	\$ 518,618	\$ 1,694,656	\$ 1,573,975	\$ 639,299
<u>Victory</u>				
Assets:				
Cash on hand and in banks	\$ 18,402	\$ 21,614	\$ 21,315	\$ 18,701
Liabilities:				
Due to student groups	\$ 18,402	\$ 21,614	\$ 21,315	\$ 18,701
<u>Whitney High</u>				
Assets:				
Cash on hand and in banks	\$ 225,060	\$ 1,029,307	\$ 1,113,954	\$ 140,413
Liabilities:				
Due to student groups	\$ 225,060	\$ 1,029,307	\$ 1,113,954	\$ 140,413
<u>Granite Oaks Middle</u>				
Assets:				
Cash on hand and in banks	\$ 61,976	\$ 171,421	\$ 163,152	\$ 70,245
Liabilities:				
Due to student groups	\$ 61,976	\$ 171,421	\$ 163,152	\$ 70,245
<u>Spring View Middle</u>				
Assets:				
Cash on hand and in banks	\$ 146,752	\$ 155,603	\$ 163,173	\$ 139,182
Liabilities:				
Due to student groups	\$ 146,752	\$ 155,603	\$ 163,173	\$ 139,182
<u>Antelope Creek Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 8,193	\$ 24,317	\$ 21,898	\$ 10,612
Liabilities:				
Due to student groups	\$ 8,193	\$ 24,317	\$ 21,898	\$ 10,612

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT BODY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Student Body</u> (Continued)				
<u>Cobblestone Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 28,885	\$ 27,055	\$ 38,808	\$ 17,132
Liabilities:				
Due to student groups	\$ 28,885	\$ 27,055	\$ 38,808	\$ 17,132
<u>Parker Whitney Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 19,096	\$ 18,802	\$ 23,674	\$ 14,224
Liabilities:				
Due to student groups	\$ 19,096	\$ 18,802	\$ 23,674	\$ 14,224
<u>Rhukala Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 15,716	\$ 59,656	\$ 53,665	\$ 21,707
Liabilities:				
Due to student groups	\$ 15,716	\$ 59,656	\$ 53,665	\$ 21,707
<u>Rock Creek Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 21,704	\$ 31,038	\$ 27,004	\$ 25,738
Liabilities:				
Due to student groups	\$ 21,704	\$ 31,038	\$ 27,004	\$ 25,738
<u>Rocklin Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 27,605	\$ 38,667	\$ 26,095	\$ 40,177
Liabilities:				
Due to student groups	\$ 27,605	\$ 38,667	\$ 26,095	\$ 40,177

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT BODY FUNDS
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Student Body</u> (Continued)				
<u>Sierra Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 16,099	\$ 81,032	\$ 74,848	\$ 22,283
Liabilities:				
Due to student groups	\$ 16,099	\$ 81,032	\$ 74,848	\$ 22,283
<u>Sunset Ranch Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 11,968	\$ 11,661	\$ 17,424	\$ 6,205
Liabilities:				
Due to student groups	\$ 11,968	\$ 11,661	\$ 17,424	\$ 6,205
<u>Twin Oaks Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 35,457	\$ 46,627	\$ 41,486	\$ 40,598
Liabilities:				
Due to student groups	\$ 35,457	\$ 46,627	\$ 41,486	\$ 40,598
<u>Valley View Elementary</u>				
Assets:				
Cash on hand and in banks	\$ 4,823	\$ 55,720	\$ 51,587	\$ 8,956
Liabilities:				
Due to student groups	\$ 4,823	\$ 55,720	\$ 51,587	\$ 8,956
<u>All Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ 1,160,354	\$ 3,467,176	\$ 3,412,058	\$ 1,215,472
Liabilities:				
Due to student groups	\$ 1,160,354	\$ 3,467,176	\$ 3,412,058	\$ 1,215,472

ROCKLIN UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

Rocklin Unified School District, was established in 1866 and unified in 1987. It is comprised of approximately 13 square miles of Placer County. The District currently operates eleven elementary schools, two middle schools, two high schools, one alternative education school and one independent study charter school. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Todd Lowell	President	December 2018
Wendy Lang	Vice President	December 2018
Susan Halldin	Clerk	December 2018
Camille Maben	Member	December 2020
Eric Stevens	Member	December 2020

ADMINISTRATION

Roger Stock
Superintendent

Kathleen Pon
Deputy Superintendent, Educational Services

Barbara Patterson
Deputy Superintendent, Business & Operations

Tony Limoges
Assistant Superintendent, Human Resources

Craig Rouse
Senior Director, Facilities and Operations

Teresa Stelzer*
Director of Fiscal Services/Purchasing

Bill MacDonald
Director of Elementary Programs

Marty Flowers
Director of Secondary Programs

*Resigned as of October 2018

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	Second Period <u>Report</u>	Revised* Second Period <u>Report</u>	Annual <u>Report</u>
Certificate Number	8B28598F	9961E54E	D0078EB3
<u>District</u>			
Elementary:			
Kindergarten through Third	3,091	3,091	3,109
Fourth through Sixth	2,524	2,524	2,525
Seventh and Eighth	1,927	1,927	1,925
Special Education	6	4	7
Extended year ADA	<u>12</u>	<u>12</u>	<u>12</u>
Total Elementary	<u>7,560</u>	<u>7,558</u>	<u>7,578</u>
Secondary:			
Ninth through Twelfth	3,827	3,827	3,814
Special education	5	5	9
Extended year ADA	<u>7</u>	<u>5</u>	<u>6</u>
Total Secondary	<u>3,839</u>	<u>3,837</u>	<u>3,829</u>
District ADA Totals	<u>11,399</u>	<u>11,395</u>	<u>11,407</u>

CHARTER - NONCLASSROOM-BASED

Rocklin Independent Charter Academy

	Second* Period <u>Report</u>	Annual <u>Report</u>
Certificate Number	947DCD59	A37A9217
Elementary:		
Kindergarten through Third	12	13
Fourth through Sixth	5	6
Seventh through Eighth	<u>12</u>	<u>12</u>
Total Elementary	<u>29</u>	<u>31</u>
Secondary:		
Ninth through Twelfth	<u>102</u>	<u>105</u>
Charter School ADA Totals	<u>131</u>	<u>136</u>

* Column represents the audited balances.

See accompanying notes to supplementary information.

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

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>				
Kindergarten	36,000	56,955	180	In Compliance
Grade 1	50,400	54,480	180	In Compliance
Grade 2	50,400	54,480	180	In Compliance
Grade 3	50,400	54,480	180	In Compliance
Grade 4	54,000	56,130	180	In Compliance
Grade 5	54,000	56,130	180	In Compliance
Grade 6	54,000	56,130	180	In Compliance
Grade 7	54,000	61,402	180	In Compliance
Grade 8	54,000	61,402	180	In Compliance
Grade 9	64,800	65,020	180	In Compliance
Grade 10	64,800	65,020	180	In Compliance
Grade 11	64,800	65,020	180	In Compliance
Grade 12	64,800	65,020	180	In Compliance

See accompanying notes to supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
84.010	Title I, Part A, Basic Grants, Low Income and Neglected	14329	\$ 651,196
84.048	Vocational and Applied Technology	14894	47,010
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	84,917
84.365	ESEA: Title III, English Learner Student Program	14346	51,483
Special Education Cluster (IDEA):			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	1,563,982
84.027	IDEA Mental Health, Part B, Sec. 611	14468	266,388
84.173	IDEA Preschool Grants, Part B, Sec. 619	13430	33,863
84.027	IDEA Preschool Part B Sec. 11	10115	4,597
84.027A	IDEA Preschool Local Entitlement	N/A	<u>162,086</u>
	Subtotal Special Education Cluster		<u>2,030,916</u>
	Total U.S. Department of Education		<u>2,865,522</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
Child Nutrition Cluster:			
10.555	Child Nutrition: National School Lunch Program	13391	<u>1,077,610</u>
<u>U.S. Department of Defense</u>			
12.800	Air Force Defense Research Sciences Program	N/A	<u>59,897</u>
<u>U.S. Department of Health and Human Services - Passed through Department of Health Services</u>			
Medicaid Cluster:			
93.778	Medi-Cal Billing Option	10013	144,004
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>26,978</u>
	Total U.S. Department of Health and Human Services		<u>170,982</u>
**	Pupil Testing Incentive Program	**	<u>1,500</u>
	Total Federal Expenditures		<u>\$ 4,175,511</u>

**CFDA and pass-through number were not available.

See accompanying notes to supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

There were no audit adjustments proposed to funds of the District.

See accompanying notes to supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
UNAUDITED

	(Budget) <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ <u>122,365,744</u>	\$ <u>116,391,085</u>	\$ <u>109,969,763</u>	\$ <u>108,112,660</u>
Expenditures	120,262,989	113,531,018	104,447,016	100,779,319
Other uses and transfers out	<u>325,386</u>	<u>162,693</u>	<u>-</u>	<u>-</u>
Total outgo	<u>120,588,375</u>	<u>113,693,711</u>	<u>104,447,016</u>	<u>100,779,319</u>
Change in fund balance	\$ <u>1,777,369</u>	\$ <u>2,697,374</u>	\$ <u>5,522,747</u>	\$ <u>7,333,341</u>
Ending fund balance	\$ <u>29,592,020</u>	\$ <u>27,814,651</u>	\$ <u>25,117,277</u>	\$ <u>19,594,530</u>
Available reserves	\$ <u>7,226,698</u>	\$ <u>11,302,229</u>	\$ <u>10,727,972</u>	\$ <u>7,367,995</u>
Designated for economic uncertainties	\$ <u>7,226,698</u>	\$ <u>11,302,229</u>	\$ <u>10,727,972</u>	\$ <u>7,367,995</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Available reserves as percentages of total outgo	<u>6.00%</u>	<u>9.94%</u>	<u>10.27%</u>	<u>7.31%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>290,448,697</u>	\$ <u>302,550,067</u>	\$ <u>299,034,827</u>	\$ <u>290,223,101</u>
Average daily attendance at P-2	<u>11,602</u>	<u>11,395</u>	<u>11,118</u>	<u>10,925</u>

The General Fund fund balance has increased by \$15,553,462 over the past three years. The fiscal year 2018-19 budget projects an increase of \$1,777,369. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2018, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring a surplus during the 2018-19 fiscal year.

Total long-term liabilities have increased by \$12,326,966 over the past two years.

Average daily attendance has increased by 470 over the past two years. The District anticipates an increase of 207 ADA for the 2018-19 fiscal year.

See accompanying notes to supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
0308 - Rocklin Academy	Separate Report
0900 - Rocklin Academy 2	Separate Report
1042 - Maria Montessori Charter Academy	Separate Report
1573 - Rocklin Independent Charter Academy	Included
1071 - Western Sierra Collegiate Academy	Separate Report

See accompanying notes to supplementary information.

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Rocklin Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed on the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 4,235,075
Less: Medi-Cal Administrative Activities funds unspent	93.778	(24,788)
Medi-Cal Billing Option funds unspent	93.778	<u>(34,776)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 4,175,511</u>

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

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

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2018-19 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

NOTE 2 – EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Rocklin Unified School District
Rocklin, California

Report on Compliance with State Laws and Regulations

We have audited Rocklin Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	No (see below)
After school	No (see below)
Before school	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No (see below)
Attendance, for charter schools	No (see below)
Mode of Instruction, for charter schools	No (see below)
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	No (see below)
Charter School Facility Grant Program	No (see below)

(Continued)

We did not perform testing for Independent Study because the ADA was under the level which required testing.

We did not perform testing for Continuation Education because the ADA was under the level which required testing.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The District does not have any Juvenile Court Schools, Middle or Early College High Schools or Apprenticeship: Related and Supplemental Instruction, therefore, we did not perform any procedures related to Juvenile Court Schools, Middle or Early College High Schools or Apprenticeship: Related and Supplemental Instruction.

The District does not operate an After School Education and Safety program; therefore, we did not perform any procedures related to this program.

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

The District does not have any Classroom-Based Charter Schools; therefore, we did not perform procedures related to Attendance, for charter schools, Mode of Instruction, for charter schools or Annual Instructional Minutes, for charter schools.

The District did not participate in the Charter School Facility Grant Program; therefore we did not perform any procedures related to Charter School Facility Grant Program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Rocklin Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Rocklin Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Rocklin Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Rocklin Unified School District's compliance.

Opinion with State Laws and Regulations

In our opinion, Rocklin Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 3, 2018

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

Board of Trustees
Rocklin Unified School District
Rocklin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rocklin Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Rocklin Unified School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 3, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Rocklin Unified School District
Rocklin, California

Report on Compliance for Each Major Federal Program

We have audited Rocklin Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Rocklin Unified School District's major federal program for the year ended June 30, 2018. Rocklin Unified School District's major federal program is 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 Rocklin Unified School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rocklin Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Rocklin Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Rocklin Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

(Continued)

Report on Internal Control Over Compliance

Management of Rocklin Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rocklin Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rocklin Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 3, 2018

FINDINGS AND RECOMMENDATIONS

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted?

	<u> </u> Yes	<u> X </u> No
--	-------------------	-----------------

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with with 2 CFR 200.516(a)?

	<u> </u> Yes	<u> X </u> No
--	-------------------	-----------------

Identification of major programs:

CFDA Number(s)

10.555

Name of Federal Program or Cluster

National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Type of auditor's report issued on compliance for state programs: Unmodified

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

ROCKLIN UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS

ROCKLIN UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		

APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

[Closing Date]

Rocklin Unified School District
Rocklin, California

Rocklin Unified School District
2019 Certificates of Participation (Capital Projects)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the Rocklin Unified School District (the “District”) in connection with the execution and delivery of the Rocklin Unified School District 2019 Certificates of Participation (Capital Projects) (the “Certificates”), evidencing principal in the aggregate amount of \$_____, executed and delivered on the date hereof, pursuant to the Trust Agreement, dated as of June 1, 2019 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Public Property Financing Corporation of California (the “Corporation”) and the District. In such connection, we have reviewed the Trust Agreement, the Lease Agreement, dated as of June 1, 2019 (the “Lease Agreement”), by and between the District and the Corporation, the Ground Lease, dated as of June 1, 2019 (the “Ground Lease”), by and between the District and the Corporation, the Assignment Agreement, dated as of June 1, 2019 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Tax Certificate of the District, dated the date hereof (the “Tax Certificate”), opinions of counsel to the District, the Corporation and the Trustee, certificates of the District, the Corporation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Lease Agreement.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the Corporation. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the first paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of Base Rental Payments designated as and constituting interest evidenced by the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment

Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts and nonprofit public benefit corporations in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _____, 2019, or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Lease Agreement and the Ground Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the District.
2. The Lease Agreement, the Ground Lease and the Assignment Agreement have been duly executed and delivered by, and constitute the valid and binding obligations of, the Corporation.
3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.
4. The portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Rocklin Unified School District (the “District”) in connection with the execution and delivery of \$_____ aggregate principal amount of the Rocklin Unified School District 2019 Certificates of Participation (Capital Projects) (the “Certificates”). The Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of June 1, 2019 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Public Property Financing Corporation of California and the District. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5).

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

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

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

“CUSIP Number” shall mean the Committee on Uniform Securities Identification Procedures’ unique identification number for each public issue of a security.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and 5(b)(8), 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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Certificate shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated _____, 2019, relating to the Certificates.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with execution and delivery of the Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC 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 eight months after the end of the District’s fiscal year, commencing with the report for the District’s June 30, 2019 fiscal year (which is due no later than March 1, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Certificates by name and CUSIP Number.

(b) Not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (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, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) of this Disclosure Certificate, 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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

- (1) The District’s approved annual budget for the then-current fiscal year;
- (2) The District’s most recent interim financial report;
- (3) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

- (4) Property tax levies, collections and delinquencies for the District for the immediately preceding fiscal year as of June 30, if the District is no longer a participant in the County of Placer's Teeter Plan; and
- (5) Twenty largest taxpayers for the most recent completed fiscal year as measured by secured assessed valuation, the amount of their respective taxable value, and their percentages of the total secured assessed value.

(c) In addition to any of the information expressly required to be provided under Sections 4(a) and 4(b) of this Disclosure Certificate, 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 were made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

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 events with respect to the Certificates in a timely manner not later than ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the obligated person;
or
- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S.

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (1) Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
- (2) Modifications to rights of holders of the Certificates;
- (3) Certificate calls;
- (4) Release, substitution, or sale of property securing repayment of the Certificates;
- (5) Non-payment related defaults;
- (6) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (7) Appointment of a successor or additional trustee or the change of name of a trustee; or
- (8) Incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the District shall determine if such event would be material under applicable federal securities laws.

(e) Upon the occurrence of a Listed Event described in Section 5(a) of this Disclosure Certificate, or upon the occurrence of a Listed Event described in Section 5(b) of this Disclosure Certificate which the District determines would be material under applicable federal securities laws, the District shall

within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(f) The District intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in its Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

SECTION 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final principal payment date of the Certificates, the District shall give notice of such termination in a filing with the MSRB.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District.

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b) of this Disclosure Certificate, 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 Certificates, or the type of business conducted;

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 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 or any other event required to be reported.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates 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; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Placer or in U.S. District Court in or nearest to the County of Placer. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: _____, 2019

ROCKLIN UNIFIED SCHOOL DISTRICT

By: _____

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Rocklin Unified School District

Name of Issue: Rocklin Unified School District 2019 Certificates of Participation
(Capital Projects)

Date of Delivery: _____, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Delivery. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

**ROCKLIN UNIFIED SCHOOL
DISTRICT**

By: _____

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APPENDIX E

PLACER COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of Placer. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer-Tax Collector and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the County Treasurer-Tax Collector, 175 Fulweiler Avenue, Auburn, California 95603.

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**STATEMENT OF
INVESTMENT POLICY**

PLACER COUNTY TREASURER

**JENINE WINDESHAUSEN
TREASURER-TAX COLLECTOR**

Fiscal Year 2019

Placer County

Treasurer's Review Panel

Robert Weygandt
Placer County Supervisor, District 2
Board of Supervisors Representative

Martin Fregoso
Placer County Schools Representative

Nancy Palmer
County School Boards Representative

Ed Horton
Special Districts Representative

County of Placer, Statement of Investment Policy	First Issue: January 1997	This Issue: 2019, Twentieth Revision
Prepared by : J. Windeshausen, Treasurer-Tax Collector	Reviewed: Treasurer's Review Panel	Approved: Board of Supervisors : March 12, 2019

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County of Placer, Statement of Investment Policy	First Issue: January 1997	This Issue: 2019, Twentieth Revision
Prepared by : J. Windeshausen, Treasurer-Tax Collector	Reviewed: Treasurer’s Review Panel	Approved: Board of Supervisors : March 12, 2019

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County of Placer, Statement of Investment Policy	First Issue: January 1997	This Issue: 2019, Twentieth Revision
Prepared by : J. Windeshausen, Treasurer-Tax Collector	Reviewed: Treasurer's Review Panel	Approved: Board of Supervisors : March 12, 2019

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PREFACE

Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the Placer County Treasurer's Investment Portfolio.

While some portions of this policy are a restatement of law, these restatements are considered integral to the purpose and flow of this policy.

The following statements are the guidelines intended to ensure the achievement of the purpose, goals and objectives of this policy in an orderly, accurate and timely manner; however, there is no guarantee that problems, errors, or losses will not arise in the course of administering the investment of public funds.

Investments acquired prior to the adoption of an investment policy are exempted (grandfathered) from any policy, which postdates the investment. The Treasurer will take such time as required to reposition investments to ensure that investments are not liquidated prematurely in order to avoid realizing potential losses. All new cash, including proceeds from investments, will be invested in accordance with the current investment policy then in effect.

A glossary of terms has been included in the appendix for reader convenience.

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SCOPE

This policy is concerned with the deposit, safekeeping, and investment of all pooled money on deposit in the Placer County Treasury (hereafter referred to as the Treasury) and all other related transactions and investment activities. This policy has been reviewed by the Treasurer's Review Panel (hereafter referred to as TRP) and has been reviewed and approved by the Board of Supervisors pursuant to Government Code Section 53646. This policy will remain in effect until such time as the TRP reviews and the Board of Supervisors reviews and approves a new policy or any amendments to the policy. The TRP will review and the Board of Supervisors will review and approve a new policy, or amendments to the policy, or affirm the current policy, at least annually. Nothing precludes or prevents the TRP and the Board of Supervisors from doing so more frequently than annually. The policy is effective as of the date of adoption by the Board of Supervisors.

PURPOSE

The purposes of the investment policy are to:

- Facilitate the accomplishment of the goals and objectives as stated in this policy and established through representation and approval of the TRP.
- Provide the Treasurer with a policy framework and guidelines within which to carry out the business of administering and investing money on deposit in the Treasury.
- Facilitate and formalize communication at all levels between those involved and those interested in the process of investing and administering the money on deposit in the Treasury.
- Ensure compliance with legal requirements and policies approved by the Board of Supervisors.

GOALS AND OBJECTIVES

LEGAL AND REGULATORY COMPLIANCE

All investing and investment decisions shall be made with full compliance with California State and Federal Laws and Regulations, and any forthcoming amendments or additions to the California State Statutes or to Federal Laws and Regulations in relation to the investment and administration of local agency money on deposit in the Treasury. The Treasurer or the Board of Supervisors may provide further restrictions and guidelines for the investment of money on deposit in the Treasury through this Statement of Investment Policy.

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GASB REPORTING AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The effect of various GASB (Governmental Accounting Standards Board) financial reporting requirements will be taken into consideration when making investment decisions and when implementing investment strategies. Appropriate documentation and procedures will be used to ensure clear audit trails and facilitate necessary reporting requirements.

SAFETY, LIQUIDITY, AND RATE OF RETURN

In accordance with Government Code Section 27000.5, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objective of the county treasurer is to safeguard the principal of the funds under his or her control. The secondary objective is to meet the liquidity needs of the depositor. The third objective is to achieve a return on the funds under his or her control."

Maximum rates of return will be achieved in a manner consistent with the first and second objectives of safeguarding principal and meeting liquidity needs, respectively.

PRUDENCE AND THE MAINTENANCE OF PUBLIC TRUST

Prudence

Government Code Section 27000.3 establishes that "The county treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the county treasurer shall act with [the same] care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters 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 the county and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, a trustee is authorized to acquire investments as authorized by law."

Maintenance of the Public Trust

The portfolio and all related investment transactions are open for public review, scrutiny, evaluation, and questioning.

SUMMATION OF BASIC STRATEGY

The basic investment strategy will be to maintain sufficient liquidity to meet regular cash flow needs of the Treasury, while reserving contingent liquidity to meet unanticipated cash flow demands on the Treasury after first taking into consideration the safeguarding of principal. After safety concerns and liquidity needs have been met, various investment approaches may be utilized to take advantage of current market opportunities.

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A maximum rate of return will be achieved in a manner consistent with the first and second objectives of safeguarding principal and meeting liquidity needs, respectively.

DELEGATION

In accordance with Government Code Section 27000.1, and in conjunction with the annual approval of the Statement of Investment Policy, the Board of Supervisors has delegated by ordinance to the Treasurer the authority to invest or to reinvest certain funds, or to sell or exchange investments so purchased for a period of one year. Such delegation remains in effect until the Board of Supervisors either revokes its delegation of authority, by ordinance, or decides not to renew the annual delegation, subject to Government Code Section 53607.

The responsibility to execute investment transactions may be further delegated to deputies under the direction of the Treasurer.

ANNUAL AUDIT

At the end of each calendar year, an annual audit is to be conducted to determine compliance with the Statement of Investment Policy and an audit of the interest apportionment. The audit may additionally address questions of portfolio structure and risk. The audit findings will be an agenda item at the TRP meeting following the release of the audit. The cost of the audit will be charged against the Treasurer's budget and will be included in the investment expenses that are deducted from earnings prior to interest apportionment. A copy of the annual audit will be distributed pursuant to Government Code Section 53686 (b).

TREASURER'S REVIEW PANEL

MEMBERSHIP

The members of the TRP shall consist of:

- a representative of the County Board of Supervisors,
- the County Superintendent of Schools or his/her designee,
- a representative selected by a majority of the Special Districts who are required or authorized to deposit money in the County Treasury,
- a representative selected by a majority of the presiding officers of the legislative bodies of the school districts and community college districts in the county,

Each agency represented will continue to serve until the districts otherwise designates or select a new representative.

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MEETINGS The TRP shall meet at least twice each calendar year, once in February and once in August. Other meetings may be called by the Treasurer-Tax Collector.

DUTIES OF THE TREASURER'S REVIEW PANEL

The TRP duties are to review and monitor the investment policy prepared by the County Treasurer. The Treasurer will annually submit the Statement of Investment Policy to the Board of Supervisors to be reviewed and approved. As a matter of policy, the Statement of Investment Policy will be reviewed by the TRP prior to being submitted to the Board of Supervisors at least once a year.

Investment Policy

The investment policy shall include the following:

- 1) A listing of allowable investment types, including maximum allowable percentages of each type.
- 2) The maximum term of any investment eligible for purchase by the County Treasurer.
- 3) The criteria for the selection of brokers and dealers through whom the County Treasurer may purchase investments.
- 4) Restrictions on the acceptance of honoraria, gifts, and gratuities from brokers, dealers, bankers or other professionals with whom the County Treasurer.
- 5) A requirement that the County Treasurer submit a monthly report of investments to the TRP...
- 6) The methodology and formulas for calculating yield and apportioning interest and the costs of investing, depositing, and handling funds authorized by Government Code Section 27013.
- 7) The terms and conditions under which public entities and public officials not required to deposit their funds in the County Treasury may deposit their surplus moneys for investment purposes.

Quarterly Review of Investment Holdings

Pursuant to California Government Code Section 26920(a) at least once in each quarter, the county auditor performs a review of the treasurer's statement of assets. The auditor's review is performed in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute for Certified Public Accountants. The review includes the following:

1. Counting of cash in the county treasury,

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2. Verifying that the records of the county treasurer and auditor are reconciled pursuant to California Government Code Section 26905, and
3. Issuing a report to the Board of Supervisors in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Monthly Report

The members of the TRP will be sent a copy of the Monthly Investment Report as it is released each month to all depositors. The monthly report will include:

- 1) a ledger of daily transactions for the month
- 2) a list of holdings as of the last day of the month which notes:
 - a) type of investment
 - b) issuer
 - c) date of maturity
 - d) par amount
 - e) book value
 - f) market value at month-end (and source of value)
- 3) a statement of compliance with the Statement of Investment Policy or an explanation of any variance
- 4) a statement of the ability to meet the pools expenditure requirements for the next six months or an explanation of why the expenditure requirements cannot be met.

As deemed appropriate, the Treasurer may issue additional statistical or narrative reports.

Yield, Apportionment, and Cost Calculations

In accordance with Government Code Section 27013 and 53684,

- the formula used to calculate yield is total earnings (interest and amortization of premiums and discounts) for the month, on an accrual basis, divided into the average daily balance of the portfolio for the month.
- the accrual method is used to apportion interest on a monthly basis. At the end of each month an entry will be made to the funds for the net amount of the accrued interest earnings plus the amortization of premiums and discounts, minus costs. Gains and losses are recorded when they are realized, either upon sale or other disposition of the investment.
- the formula used for the monthly apportionment of interest for each fund is calculated as follows:

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The sum of the daily cash balance for the month, divided by the number of days in the month, which equals the average daily balance for each fund for the month. The average daily balance for each fund is then divided by the average daily balance of all funds included in the Treasury Investment Pool. This factor for each fund is then multiplied by the dollar amount of earnings to be apportioned to determine the dollar amount apportioned to each fund.

- the cost of investing, depositing, and handling funds is determined based on actual costs incurred during the month. Actual costs will be deducted from interest earnings prior to apportionment at the end of each month.

A detail of the costs deducted for each monthly apportionment will be reviewed as an agenda item at each quarterly meeting.

Terms and Conditions of Allowable Depositors

Deposits by voluntary depositors who have the right to withdraw funds increase the cash flow volatility of the Treasury. This increase in cash flow volatility makes accurate cash flow forecasting more difficult. Thus, deposits by voluntary depositors increase the risk to the remaining depositors of having to sell investments prior to maturity to meet the withdrawal demands of voluntary depositors. This increase in risk associated with the deposits of voluntary depositors is recognized by rating agencies, auditors and other financial overseers and is a consideration in the credit evaluations and oversight comments provided to all depositors.

By approval of the Treasurer, the deposit of funds from voluntary depositors may be accepted under the following criteria:

1. The legislative or governing body of the voluntary depositor shall pass a resolution authorizing the investment of funds into the Placer County Treasury.
2. The legislative or governing body of the voluntary depositor shall include in its resolution all terms and conditions as determined by the County Treasurer. Involuntary depositors (depositors required to deposit into the Treasury) who are required to deposit operating and other funds in the Treasury may from time to time have a limited amount of funds which are discretionary as to deposit requirements (such as proceeds from the issuance of debt), which are not required to be deposited into the county treasury.

The discretionary funds (funds not required to be deposited into the Treasury) of involuntary depositors will be accepted for deposit into the Treasury. Joint power authorities may also place deposits in the Treasury. When a majority of the JPA's membership is comprised of depositors domiciled in the County, the funds of the JPA may be invested in the Treasury.

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Criteria for Withdrawals

Withdrawals for claims and accounts payable are to be made by auditor's warrant. Various forms of electronic transfer can be used to make withdrawals for the purpose of payroll, bond and note related transactions and to transfer investment funds. It is essential that all agencies inform the Treasurer of anticipated withdrawals in excess of \$200,000 as far in advance as possible. The Treasurer requires 24 hours written notice of funds to be electronically transferred. At the discretion of the Treasurer and in the case of emergency or urgency, the Treasurer will honor same-day notification of electronic transfers based on Federal wire system availability. Normally, requests for withdrawal of an emergency or urgent nature received prior to noon can be honored.

The following criteria applies to all depositors: withdrawals for the purpose of investing or depositing funds outside of the county treasury require prior (written) notice. The written notice may be submitted via email or fax, with original request to follow. The Treasurer will evaluate each proposal to ensure that the request will not adversely affect the interest of the other depositors in the Treasury. Should the Treasurer determine that a withdrawal for the purpose of investing or depositing funds (including reinvestment of note proceeds) outside of the county treasury would adversely affect the interest of other depositors in the pool, the Treasurer may require 30 days written notice prior to any withdrawals, or honor the withdrawal at the current market value of the portfolio.

ADMINISTRATION

INVESTMENT GUIDELINES AND PROCEDURES

Investment guidelines and procedures maintained by the Treasury include but are not limited to the following:

- 1) Procedures for transacting the purchase and sale of investments.
- 2) Provisions for documenting activities and transactions.
- 3) Provisions for the implementation, use and monitoring of internal controls.
- 4) Provisions for the correction and documentation of errors, discrepancies, and changes to ensure clear and concise audit trails in these events.
- 5) Provisions for the use of competitive bidding.

DOCUMENTATION

Procedures and forms have been created and are used which produce documentation to facilitate:

- 1) Clear and concise audit trails for all transactions.
- 2) Strong internal controls.
- 3) Evidence of the use of competitive bidding or written explanation for noncompliance to the competitive bid process.

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- 4) Written criteria for the selection of the investment type.

INTERNAL CONTROLS

The Treasurer will maintain a system of internal controls. Whenever possible those controls will be maintained through the use of computer automation and generally accepted means for subdivision of duties. Internal controls are designed with the intended purpose of preventing or minimizing loss of public money.

A system of internal controls is maintained to address the following issues, but is not limited to these issues:

- 1) Separation of transaction authority from accounting and record keeping.
- 2) Third-party custodial safekeeping.
- 3) Clear delegations of authority.
- 4) Written confirmations from appropriate parties.
- 5) Guidelines for attempting to prevent losses, and appropriate remedial action in the event of loss.
- 6) Provisions for legal compliance monitoring.
- 7) Provisions for ongoing monitoring and auditing of internal controls.

SAFEKEEPING

Investments are kept in a third-party safekeeping account to provide the public with the highest degree of protection with regard to investments held by the Treasurer. The "delivery versus payment" purchase procedure will be used. These provisions will be standard procedure except where prevailing practices or circumstances dictate otherwise. In this event substantiation of the prevailing practices or circumstances will be provided in the transaction documentation. Third-party safekeeping refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. "Delivery versus payment" refers to the practice of using an escrow procedure to process a transaction through the third-party safe-keeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met.

COMPETITIVE BIDDING

Whenever possible, transactions will be made through the use of competitive bids. For each competitive bid transaction, at least three (3) bids will be solicited. If the solicitation of three bids is not feasible or practical, the reason will be stated in the transaction documentation. Exceptions to the use of competitive bids may include, but are not limited to the following:

- 1) Market circumstances where time constraints would make the bid process impractical.
- 2) Investments possessing distinctive characteristics.

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- 3) Overnight deposits where time constraints may not accommodate the bid process.
- 4) Transactions in which investments are actively traded and priced by market information services such as Bank of New York and Bloomberg, where current market price can be readily determined.

TIME AND PLACE FOR INVESTING

Investing will be done during the hours between 6 a.m. and 6 p.m. by the office of the Treasurer. The treasurer can make exceptions.

EMPLOYEE PROCEDURES FOR REPORTING VIOLATIONS

Violations of any laws, rules or regulations with regard to the investment of the money on deposit in the Treasury are to be reported to the appropriate authority. Any such reporting will not be the subject of adverse action to the employee(s) making such report. A reference list of appropriate authorities can be found in Appendix B.

PUBLIC INQUIRY

Transactions, holdings, and activities are a matter of public record. Therefore, all agencies whose funds are deposited with the Treasurer will receive a monthly report of the portfolio as is prescribed by law. In addition, any member of the public may receive a copy of the portfolio or the Statement of Investment Policy by requesting a copy at the Treasurer's Office. The Treasurer may charge a fee for copies, as allowed by law.

INSTRUMENTS, TRANSACTIONS AND INVESTMENT PARAMETERS

AUTHORIZED INVESTMENTS

The investment of money on deposit in the Treasury is limited to those investments specified by California Government Code Section 53601 and 53635. The Treasurer may place further restrictions upon the types of investments for which money on deposit in the Treasury may be invested. Permitted investments and investment parameters are outlined below.

BOND PROCEEDS

Bond proceeds will be invested subject to bond documents and applicable state statutes. Bond proceeds may be invested outside of the Treasurer's Investment Pool. Notwithstanding the objectives of safety and liquidity as stated below, bond proceeds will be actively managed to meet the cash flow and investment needs of the issuer while attempting to maximize earnings to avoid negative arbitrage.

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SPECIFIC INVESTMENTS

Upon written request of the responsible agency and with the approval of the Treasurer-Tax Collector specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy. With the purchase of specific investments, the fund will be allocated the earnings associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a prorated charge for administrative costs to such funds.

MAXIMUM MATURITIES

Due to constraints and standards imposed by GASB and the top rating agencies, the target for the weighted average maturity of the portfolio should not exceed three (3) years. Listed below are the maximum maturities allowed by California Government Code Sections 56301 and 56335, and the maximum maturities allowed as restricted through this policy.

MATURITY CATEGORY:	LEGAL MAXIMUM MATURITY	MAXIMUM RESTRICTED BY POLICY
Banker's Acceptances	180days	180 days
Commercial Paper	270days	270 days
Repurchase Agreements	1 year	7 days
Reverse Repurchase Agreements	1 year	will not be used
Corporate Notes	5 years	5 years
Collateralized Certificates of Deposit	not specified	5 years
LAIF	not specified	365 days
CDARS Certificates of Deposit	not specified	5 years

Government Code Section 53601 provides that where no maximum term to maturity has been specified within 53601, the maximum term is five years. Pursuant to 53601, the Board of Supervisors may give authority to purchase in excess of 5 years. This policy provides express authority for the Treasurer to make investments exceeding five years with a maximum maturity of 30 years in California local agency obligations including bonds, notes, warrants and other evidence of indebtedness of any local agency within the State of California.

MINIMUM AND MAXIMUM AMOUNT OF INVESTMENTS

Minimum Amounts:

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Whenever possible, investments will be purchased in incremental round lots to facilitate economies of scale at the time of purchase and marketability at the time of sale.

Maximum Amounts:

Listed below are the maximum amounts, as a percentage of the portfolio, which may be invested in any one investment category per California Government Code Sections 53601 and 53635, and the maximum amount of the portfolio which may be invested in any one investment category as restricted through this policy.

CATEGORY:	LEGAL MAXIMUM % OF PORTFOLIO	MAXIMUM % OF PORTFOLIO RESTRICTED BY POLICY
Local Agency Bonds	no limit	no limit
US Treasuries	no limit	100%
Federal Government Agencies	no limit	75%
Mortgage Backed Securities	no limit	may not be purchased
Collateralized Obligations	no limit	may not be purchased
Asset Backed Securities	no limit	may not be purchased
Banker's Acceptances	40%	30%
Commercial Paper	40%	40%
Negotiable Certificates of Deposit	30%	30%
Collateralized Certificates of Deposit	no limit	20%
Repurchase Agreements	25%	20%
Corporate Notes	30%	30%
Mutual Funds	15%	may not be purchased
Reverse Repurchase Agreements	20%	may not be purchased
LAIF	40MM	40MM
CDARS Certificates of Deposit	30%	30%
Supranationals – Washington dollar Denominated IBRD, IFC or IAD	30%	30%

INTERNATIONAL INVESTING

Foreign investments may not be purchased. Investments are restricted to those corporations organized and operating within the United States. All investments must be U. S. dollar denominated. This does not preclude investments issued by corporations with foreign names which meet the provisions stated above.

FUTURES AND OPTIONS TRADING

The purchase or sale of futures is not permitted. The purchase of options is not permitted. The sale of covered options (options on securities owned and held throughout the term of the

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option) is permitted, however not more than 10% of the portfolio shall be for sale by option at any one time.

RISK

RISK TOLERANCE LEVELS

In accordance with Government Code Section 27000.5, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the primary objective of the county treasurer is to safeguard the principal of the funds under his or her control. The secondary objective is to meet the liquidity needs of the depositor. The third objective is to achieve a return on the funds under his or her control". As stated in the goals of this policy, the administration of money on deposit in the Treasury will be executed with the intention of fulfilling safety and liquidity needs first with yield being of third concern. It is further acknowledged that conservative and risk avoidance approaches to investment management may result in correspondingly lower portfolio yields.

MARKET RISK

Appropriate maturity selection will be utilized to reduce risk resulting from market volatility, and recognizing that GAAP will require the annual writing down of unrealized gains and losses. The portfolio will be held with a degree of maturity diversification to provide for reasonably prompt relief from faltering markets. Adequate maintenance of cash or near cash investments will be maintained to provide for unplanned withdrawals at times of adverse fluctuations in the market, thus reducing the need to sell longer term investments for cash flow purposes.

CREDIT RISK

The Treasurer will maintain and carry out a system of documented credit analysis for investment consideration. This credit analysis will constitute part of the criteria for investment and deposit considerations.

Additionally, issues addressed in the Statement of Investment Policy sections on Diversification and on Instruments, Transactions and Investment Parameters are further measures to curb losses arising from credit risk.

Credit Risk Mitigation:

Credit exposure is the risk associated with losses that might occur due to deteriorating credit quality of the securities from a specific issuer. The credit exposure with any one issuer will not be more than 10% of the total portfolio, excluding U. S. Treasuries and Agencies.

Credit Quality:

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Credit requirements will first be made in compliance with California Government Code Section 53635. The code makes specific reference to the following credit requirements:

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

- 1) The entity meets the following criteria:
 - a) Is organized and operating in the United States as a general corporation.
 - b) Has total assets in excess of five hundred million dollars (\$500,000,000).
 - c) Has debt other than commercial papers, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization (NRSRO)
- 2) The entity meets the following criteria:
 - a) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - c) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO)

B) Corporate Notes:

- 1) Notes eligible for purchase must be rated in the top three rating categories by two of the three largest nationally recognized rating services.

The top three rating agencies and their rating categories are as follows:

- Moody’s Investor Services, Inc. - Aaa, Aa, and A,
- Standard and Poor’s Corporation - AAA, AA, and A,
- Fitch Investors Service, Inc. - AAA, AA, and A.

Commercial Paper is **further restricted** through this policy by the Treasurer and Board of Supervisors as to credit quality by requiring a rating of both A1 and P1 from Moody’s Investor Services, Standard & Poor’s, or Fitch Financial Services, Inc. respectively.

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DEFAULT RISK MITIGATION

Whenever possible, investments and/or deposits will be secured by one of the following means:

- 1) Government guarantee
- 2) Collateral

LIQUIDITY RISK MITIGATION

Certain safeguards will be utilized to minimize the risk of illiquidity. First, diversification will be employed to limit illiquidity due to one transaction or any one type of investment or transaction. Should default of an instrument become apparent, liquidation of instruments with like credit risks will be considered. Daily investments in overnight type instruments will be made to cover immediate cash flow requirements in order to minimize complications that may arise from liquidity risk.

COUNTERPARTY RISK MITIGATION

The following precautions will be used to prevent or limit losses from investments in particular debt issuers:

- 1) Primary Dealer transactions, or settlement through or guaranteed by one of the world's top 100 banks.
- 2) Appropriate legal documentation, and contracts.
- 3) Appropriate collateralization.

DIVERSIFICATION

Diversification by investment type, maturity and issuer are the three principal means of diversification used to control or limit losses, while enhancing the return of the overall portfolio.

INVESTMENT TYPE

Investment type refers to the investment categories as specified in the subsections of Government Code Sections 56301 and 53635. Diversification by investment type is discussed in the subsection **Maximum Amounts** on page 11.

INVESTMENT MATURITIES

After cash flow needs have been appropriately addressed, maturities will be distributed to allow investments to "mature-out" in the event of market value deterioration, and to allow the liquidity necessary to take advantage of market opportunities as they arise. The subsection Maximum Maturities under the Section Instruments, Transactions and Investment Parameters contains further provisions regarding maturities.

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ISSUERS

Diversification limitations by issuer are discussed in the subsection **Credit Risk Mitigation** on page 13.

USE OF LOCAL DEPOSITORIES

Giving preference to local depositories for investments in certificates of deposit for the purpose of stimulating local economic growth and investment in return for an expanded tax base is hereby established. Additional consideration may be given for depositories who utilize Certificate of Deposit Account Registry Service (CDARS) which provides 100% FDIC protection.

The following should be noted:

- 1) The depository will be required to demonstrate its commitment and support of local economic growth and housing investment. Appropriate Community Reinvestment Act documentation will be required.
- 2) Preference to local depositories will not be given at the expense of lowering the allowable credit risks stated in this policy.
- 3) Giving preference to local depositories will not produce a measurable impact in total portfolio yield.

RELATIONSHIPS WITH BROKERS/DEALERS & DEPOSITORIES

APPROVED LIST OF BROKERS/DEALERS AND DEPOSITORIES

In accordance with Government Code Section 27133(c), "the criteria for selecting security brokers and dealers...shall prohibit the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices".

Brokers, Dealers and Banks approved for transacting business with the Placer County Treasurer are:

- 1) institutions designated as "primary dealers" by the Federal Reserve Bank of New York, or
- 2) banks identified as one of the top 100 banks in the world, or
- 3) banks, brokers or dealers whose parent company is one of the top 100 banks in the world, or

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- 4) banks, brokers or, dealers who have net capital in excess of \$10 million with liquidity lines of \$100 million or more.

Local branches are typically equipped to serve the retail investor. Therefore, first consideration will be given to regional capital market branches which are typically better able to serve the needs of institutional investors. Selected branches must be located in California or New York.

RELATIONSHIPS WITH BROKERS/DEALERS

The establishment and maintenance of relationships with Brokers and Dealers will consist of several components. The branch manager and account representative of the broker/dealer must acknowledge receipt and review of this Statement of Investment Policy and must confirm that they are familiar with the nature of public fund investing and the laws governing the investment of county treasury funds in California. Business will be conducted on a competitive bid basis as previously discussed. Further, each representative transacting or who desires to transact business with the Placer County Treasurer must complete and return a Broker/Dealer Questionnaire as exhibited in Appendix C.

RELATIONSHIPS WITH DEPOSITORIES

Banks and Savings & Loans will be submitted to an initial evaluation, and ongoing evaluation for certificate of deposit investments. Additionally, consideration will be given for Community Reinvestment Act ratings.

The selection of depositories for the Placer County Treasurer's active accounts and safekeeping accounts will be done periodically by competitive bid on a request for proposal basis.

CONFLICT OF INTEREST

No Placer County Treasury employee or member of the TRP may directly or indirectly accept or solicit from any persons, corporation or group having a business relationship with the Placer County Treasurer, any rebate, kickback or anything of economic value as a gift, gratuity or favor.

No Placer County Treasurer employee shall, outside of regular working hours engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with their duties as a Placer County Treasury employee.

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APPENDIX A: FOOTNOTES

¹Girard Miller - Director, "The Investment Process," rpt.,

Policy/Administration Issues. Government Finance Officers Technical Services Center, Chicago, IL (Material presented at Advanced Money Market/Cash Management for Governments in San Francisco, CA on 11/19-20/1984, p. VIII-53.

² Ibid

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APPENDIX B: AUTHORITIES FOR REPORTING VIOLATIONS

County Auditor: Andy Sisk
2970 Richardson Dr.
Auburn, CA 95603

530/889-4152

County Executive Officer: Todd Leopold
175 Fulweiler Avenue, Auburn, CA 95603

530/889-4028

Placer County Counsel: Karin Schwab
175 Fulweiler Avenue, Auburn, CA 95603

530/889-4653

Placer County Grand Jury
11490 C Avenue, Auburn, CA 95603

530/889-7469

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APPENDIX C: PLACER COUNTY BROKER/DEALER QUESTIONNAIRE AND CERTIFICATION

1. Name of Firm:_____

2. Branch Address:_____

_____ Phone:_____

Primary Account Representative (Name, Title, Licenses, Phone):

Public Fund Accounts Manager:_____ Phone:_____

Branch Manager:_____ Phone:_____

Other Account Representatives (Name, Title, Licenses, Phone):

3. Ntl. Headquarters Address:_____

_____ Phone:_____

Corporate Contact:_____ Phone:_____

Compliance Officer (Name, Address, Phone):

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-
4. Is your firm a primary dealer in US Government Securities? Y/N
5. What was your firm's total volume in US Government and Agency securities trading last calendar year:_____

6. Which securities are offered by your firm?

- | | |
|--|--|
| <input type="checkbox"/> US Treasury Bills | <input type="checkbox"/> Negotiable CDs |
| <input type="checkbox"/> US Treasury Notes | <input type="checkbox"/> Commercial Paper |
| <input type="checkbox"/> US Treasury Bonds | <input type="checkbox"/> BAs Foreign/Domestic |
| <input type="checkbox"/> Agencies (specify) | <input type="checkbox"/> Corporate Medium Term Notes |
| <input type="checkbox"/> Repurchase Agreements | <input type="checkbox"/> Other_____ |
| <input type="checkbox"/> Reverse Repurchase Agreements | <input type="checkbox"/> Other_____ |

7. List your personnel who have read the Placer County Treasurer's Investment Policy.

_____	_____
_____	_____
_____	_____

8. Please reference other Public Fund Clients with which you currently do business List the agency name, contact person and phone number. (Please list other California Counties first).

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9. Have any of your clients ever sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of the risk characteristics of the instrument? If so explain.

10. Have any of your public sector clients ever reported to your firm, its officers or employees, orally or in writing, that they sustained a loss exceeding 10% of the original purchase price in a single year on any individual security purchased through your firm? Explain.

11. Has your firm ever been subject to a regulatory or state/federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of securities? Have any of your employees ever been so investigated? Explain.

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12. Has a public sector client ever claimed in writing that your firm or members of your firm were responsible for investment losses?

13. Please explain your normal custody and delivery process. Who audits these fiduciary systems?

14. Please provide certified financial statements and other indicators regarding your firm's capitalization.

15. Please include samples of research reports that your firm regularly provides to public sector clients.

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16. What training do you provide to investment personnel of public-sector clients?

17. Has your firm consistently complied with the Federal Reserve Bank's capital adequacy guidelines? As of this date, does your firm comply with the guidelines? Has your capital position ever fallen short? By what factor (1.5x, 2x, etc.) does your firm presently exceed the capital adequacy guidelines, measure of risk? Include certified documentation of your capital adequacy as measured by the Federal Reserve standards.

18. Do you participate in the SIPC insurance program? If not, why?

19. What reports, confirmations and paper trail will we receive?

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20. Please enclose a complete schedule of fees and charges for various transactions.

21. How many and what percentage of your transactions failed last month? Last year?

22. Describe the precautions taken by your firm to protect the interest of the public when dealing with governmental agencies as investors.

23. Is your firm licensed by the State of California as a broker/dealer? Y/N

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BROKER DEALER CERTIFICATION

I hereby certify that I have personally read the Statement of Investment Policy of the Placer County Treasurer, and have implemented reasonable procedures and a system of controls designed to preclude imprudent investment activities arising out of transactions conducted between our firm and the Placer County Treasurer. All sales personnel will be routinely informed of your investment objectives, strategies and risk constraints whenever we are so advised. We pledge to exercise due diligence in informing you of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to your questionnaire.

In addition, I hereby certify that, this securities firm/brokerage and all brokers, dealers and/or associates directly involved with Placer County has NOT, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those officers.

Signed: _____ Date _____

Title: _____

Signed: _____ Date _____

Title: _____

Signed: _____ Date _____

Title: _____

Signed: _____ Date _____

Title: _____

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This certification is to be signed by the branch manager and any representatives who are authorized to transact business with the Placer County Treasurer. Make and include additional copies as necessary.

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APPENDIX D: GLOSSARY OF SELECTED FINANCIAL AND INVESTMENT TERMS

AMORTIZATION - The reduction of debt through regular payment of principal scheduled to complete repayment by maturity. Usually, the payment of interest is incorporated to compensate the lender over the life of the debt.

AMORTIZATION SCHEDULE - A schedule which shows exactly how debt will be repaid. It contains the repayment dates and amount of payments, including a breakdown of principal and interest that comprises the total payment.

ARBITRAGE - The exploitation of price differences between various markets. For example, the difference in rates between the government bond market and the corporate bond market.

ASK or ASKED PRICE or ASKING PRICE - The price at which a dealer will sell a security. The ask and the bid are always referred to in terms of the dealer's perspective. Also see Bid.

BANKER'S ACCEPTANCE - A time draft drawn on a bank and accepted by that bank as ultimate liability for payment. Used most often to finance import and export transactions. Banker's acceptances are also collateralized by the underlying merchandise being contracted in the import-export transaction, i.e., a shipload of shoes from China, or oil from the Arabian Peninsula.

BASIS POINT - One-onehundredth of a percent. Example: 0.25% is twenty-five basis points.

BEARER BOND - Bonds evidenced by a certificate. Unlike registered bonds, ownership is determined by possession of the certificate, just like money! (Also see Registered Bonds.)

BID or BID PRICE - The price at which a dealer will purchase a security. The bid and the ask are always referred to in terms of the dealer's perspective. (Also see Ask.)

BLUE SKY LAWS - State laws that prevent the sale of securities with little or no asset backing. With 50 states, securities marketed in many states have to deal with a set of laws as large as "the blue sky".

BOND - A long-term debt instrument in which the investor lends money to the bond issuer, who agrees to pay a stated rate of interest over a specified period of time. Very simply, a bond is a promissory note which is traded in the financial markets. The investors' position is that of lender.

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BOND RATING - A rating selected from a scale that indicates the relative likelihood of default. Bond ratings are issued by various nationally recognized independent-rating firms.

BOOK ENTRY SECURITIES - Securities which are not evidenced by a certificate. Instead, they are recorded on the books of the customer in various central repositories mostly located in New York. Most book entry securities are held in the nominee name of banks, trusts, brokerage houses or other holding account agencies. The bank or other holding account agencies then keep an account of their customers' securities held in the bank's nominee name. This system is used to maintain an efficient and manageable record of ownership. Also referred to as "wireable" securities as they are moved from one account to another to consummate trades on the Federal Reserve wire system. (See also Wired Securities.)

BOOK VALUE - The value at which the investor holds on their books as their invested amount in a security. This may be more or less than the current face value of the security, depending if the security was purchased at a price more or less than the face value.

BOUNCE - Refusal to consummate a trade. Bouncing is only acceptable for time differences and money differences. Also see "D. K." and Fail.

BROKER - A financial institution that facilitates transactions by matching up buyers and sellers. They do not buy securities for inventory purposes. (Also see Dealer and Primary Dealer).

CALL OPTION - A contract that allows the holder to buy a specified quantity of an asset at a specified price on or within a specified date.

CALL PROVISION - The right of an issuer to redeem bonds at a specified price and date prior to maturity.

CAPPED FLOATER - Floating rate notes with a cap or ceiling on the interest rate.

CASH (SETTLEMENT) - Used to indicate the trade date as the same day as the settlement date of a transaction. The day the transaction is agreed upon is the date it is to occur.

CASHFLOW - The actual net cash that comes in and goes out of an organization during a given period of time.

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COLLATERAL - Assets which are used to secure a loan. In the event of default, the lender assumes ownership of the asset. Typically, the cash flow generated by the collateral go to the actual owner of the asset who has posted the asset as collateral.

COLLATERALIZED MORTGAGE OBLIGATIONS OR CMOs - Debt obligations issued by a special purpose entity that are collateralized by and payments linked to a pool of mortgages or mortgage backed securities. The special purpose entity (usually a trust) is set up by the sponsor who owns the loans. A different entity purchases a group of mortgages using the proceeds of an offering of securities collateralized by the mortgage (CMOs). The trustee (the issuer) uses the underlying cash flows or the collateral to fund the debt service on the CMOs. The CMOs are priced based on their own maturity and rate of return rather than that of the underlying mortgages.

COLLATERALIZED OBLIGATIONS - Notes secured by collateral. The collateral is usually comprised of U. S. Government securities which are held by a third-party-trustee, who also insures that adequate collateral is posted at all times.

COMMERCIAL PAPER - Short-term (up to 270 days), unsecured promissory notes of large firms. They are usually issued only by top rated corporations for relatively short periods of time, therefore the unsecured status.

CORPORATE (BOND OR NOTE) - Used to identify the debt of companies as opposed to government agencies.

CORPORATE (SETTLEMENT) - Used to indicate the settlement date as five business days after the trade date.

COUNTERPARTY - Used to describe the entity(s) or individual(s) with whom an agreement is entered. The entity(s) or individual(s) on the other side of an agreement for which their performance consummates the exchange of value for consideration.

COUPON OR COUPON RATE - The stated rate of interest on a bond. Stated as a percentage of par (face) and computed out to a dollar amount. Example: A note with a coupon of 6% pays \$30,000 interest per million dollars of par (face amount) every six months, or \$60,000 annually.

COVERED OPTIONS – A contract in which the option buyer pays the option seller for the right to purchase a specific security for a specific price at a specific time. The use of the word covered specifically indicates that the option seller owns the specified investment for the entire duration of the option contract. (Also see Option).

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CREDIT EXPOSURE - The risk associated with the amount of risk associated with investing in the securities of a particular issuer.

CREDIT RISK - The risk associated with the credit rating of an investment.

CUTOFF TIME - The time at which dealers and/or the Federal Reserve stop executing trade transactions. (Also see the Window.)

DEALER - A Financial institution that participates in the financial markets by taking securities (usually in extremely large volumes) into inventory from which they are later sold. (Also see Broker and Primary Dealer.)

DEBT INSTRUMENT - An instrument or promissory note which evidences and documents the terms of the loaning of funds from one party to another. Typically the instrument contains the loan date, the maturity date, the repayment provisions, and the interest rate of the borrowing.

DEFAULT - The failure to pay debt obligations as agreed in the terms of the debt.

DELIVERY VS. PAYMENT (DVP) - Refers to the practice of using an escrow procedure to process a transaction through a third-party safekeeper. This practice ensures that the transaction settles after the transaction terms and conditions of the parties involved have been met. In other words, payment will not be forwarded to the seller until securities have been delivered and vice versa.

DERIVATIVE - Investment products whose price performance is derived from another instrument. The most widely known derivative products are financial futures. Derivatives also include option contracts, Series E U. S. Savings Bonds, variable rate mortgages issued by banks and other financial institutions. (Also see Call Option, Capped Floater, Collateralized Mortgage Obligations, Floating Rate Note, Inverse Floaters, Put Option, Rate Floor, StepDown Floater, Stripped Government Securities, Synthetic Instruments, Zero Coupon Bonds.)

DISCOUNT - Bond purchase price which is below the bond's face value.

DISCRETIONARY ACCOUNTS – Funds on deposit with a broker who has authority to execute transactions with those funds without prior approval for the transactions. The broker is responsible for “managing” the account.

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"D. K." - Stands for Don't Know. When either the buyer or the seller refuses to consummate the transaction due to terms of the transaction for which they are unfamiliar. Also refers to when the safekeeping trustee has not received escrow instructions or possesses instructions that do not reflect the trade. May result in a failed trade or continued attempts to settle the transaction by informing all parties of the terms or other clarification of the transaction. (Also see Bounce and Fail.)

DURATION - A weighted average of the lengths of time prior to the payments, using the relative present values of the payments as weights. This formula produces a number that is used as a percentage to calculate a change in an investment's or a portfolio's value due to changes in interest rates. Example: A duration of 1.5 means that for every 1% increase in interest rates value drops by 1.5%.

FACE VALUE - The same as par value. Face value is the principal amount of a bond.

FAIL - The situation that occurs when a trade is not consummated.

FANNIEMAE - FNMA, Federal National Mortgage Association. Debt issued by FNMA, a federally sponsored agency, to facilitate real estate lending. FNMA issues short-term debt backed by its own full faith and credit. FNMA issues long-term debt backed by mortgages with repayment guaranteed by FNMA.

FED FUNDS - Settlement is to be consummated on funds on deposit at the Federal Reserve Bank and thus available the same day (no float). All government securities are traded on Fed Funds. Also referred to as "same day funds".

FEDERAL GOVERNMENT AGENCY - Debt issued by government sponsored entities to facilitate various types of lending. For example: the Federal Farm Credit Bank, to provide funds to farmers; Student Loan Marketing Association, to provide funds to students; the Federal National Mortgage Association, to provide funds to the real estate mortgage markets.

FEDERAL RESERVE (BANK) SYSTEM - The central bank of the United States and its system of money movement and banking regulations.

FED WIRE SYSTEM - Could be described as a financial electronic mail system used to debit and credit money and securities to accounts on the system. The national banks system for moving money and securities.

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FIXED INCOME SECURITY - Securities which are some form of promissory note, representing the terms and conditions for the repayment of debt.

FIXED INCOME MARKET - The marketplace in which fixed income securities are transacted. (Also see Over the Counter Market).

FLOATING RATE NOTE - A promissory note having a variable interest rate that is reset periodically. The rate is usually tied to a money market index such as LIBOR or Treasury bill rates.

FREDDIEMAC - FHLMC, Federal Home Loan Mortgage Corporation. Debt issued by FHLMC, a federally sponsored agency, to facilitate real estate lending. FHLMC issues short-term debt backed by its own full faith and credit, and it issues long-term debt backed by mortgages with repayment guaranteed by FHLMC.

GINNIEMAE - GNMA, Government National Mortgage Association. Debt issued by GNMA, a federally sponsored agency, to facilitate real estate lending. GNMA issues long-term debt backed by mortgages with repayment guaranteed by the U. S. Government.

HAIRCUT - The amount of over-collateralization by which the market value at the time of a repurchase agreement trade exceeds the amount borrowed. For the lender of funds in this transaction, this amount serves as a buffer of protection against market fluctuations or volatility. A collateral call may be used to increase the collateral in order to maintain this buffer if market prices go lower. Conversely, collateral may be returned to the borrower of funds if market prices rise.

INVESTMENT - The foregoing of immediate value for (possibly uncertain) longer-range value. Also used to indicate the security that evidences such act.

INVESTMENT GRADE - The top three rating categories of the nationally recognized rating agencies.

INVERSE FLOATERS - Floating rate notes with an inverse relationship to movements in a benchmark interest rate. Example: 10% minus 6 month LIBOR. As the LIBOR rate goes up the resulting interest rate goes down.

INVERTED OR NEGATIVE YIELD CURVE - A yield curve where short-term securities yield at a higher rate than long-term securities.

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INVOLUNTARY DEPOSITOR - Depositors whose funds are mandated by state statute or other legal requirement to be deposited into the county treasury.

ISSUER - An entity (corporate or government) who raises money by creating debt. The initial borrower in a lending transaction.

JUNK BONDS - High yielding corporate bonds of non-investment grade credit rating. Usually issued by companies with little or no track record of declining or deteriorated credit quality.

LETTER OF CREDIT - An instrument issued by a bank guaranteeing the payment of a customer's obligations up to a stated amount for a stated period of time. These instruments are widely used in the financing of international trade.

LIBOR - London Interbank Offering Rate. The rate of interest that the most creditworthy international banks dealing in the London Eurocurrency market charge each other for large loans. Each country has its own LIBOR rate, i.e. Swiss LIBOR, German LIBOR, US LIBOR.

LIQUIDITY - For an entity, its cash and marketable security position with respect to its shortterm debt obligations. For an individual asset, the ability to sell the asset at a reasonable price on short notice.

LONG - To own a security. "I'm long 5 on the 30 year Treasury" means I own \$5 million of the 30 year Treasury.

LONG TERM INVESTMENT - Usually refers to investments of ten years or more. For the Placer County Portfolio long-term is defined as an investment having a maturity of more than one year.

LOWER OF COST OR MARKET - An accounting principal that requires that the carrying amount of an asset be the lower of its original cost (book value) or its market value on the reporting date.

MARKET - Refers to the place, physical or electronic, that investment transactions take place. The New York Stock Exchange (NYSE) is a recognized exchange (stock market) with a physical location in New York City. The Chicago Board of Trade (CBT) is recognized exchange (commodities market) with a physical location in Chicago. The "over-the-counter" market is an electronic and phone system used to trade investments that are not traded on recognized exchanges. Bond and money markets investments (fixed income securities) are traded on the "over-the-counter" market.

MARKET VALUE - The value for which a security can be sold.

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MARK TO MARKET - To note the current market value of a security against the securities purchase price or book value or last reported market price.

MATURITY - The date on which the issuer or borrower repays the principal in total. Either paid in a lump sum at the maturity date or the final payment date on amortized debt.

MEDIUM TERM NOTES - Issuers register with the SEC (Securities and Exchange Commission) allowing for notes to be issued at various times, rates and maturates from one to ten years as the issuer's financing needs dictate.

MORTGAGE BACKED SECURITY (MBS) - A pool of individual mortgages which is packaged and sold to investors at a specified coupon rate, maturity date, and face value. Individual mortgage loans are purchased from lenders by GNMA, FNMA & FHLMC, thus converting the lenders loan assets to dollars, in turn making money available again for borrowing. GNMA, FNMA & FHLMC then packages the mortgage loans into pools, securitizes them and offers them for sale in the securities market. In doing so, GNMA, FNMA & FHLMC convert mortgages to dollars, enabling them to purchase additional individual mortgages for pooling. This conduit is used to reallocate funds from the securities markets into the real estate market.

NEGOTIABLE CERTIFICATE OF DEPOSIT - Time deposits which may be purchased and sold in the financial markets.

NEW YORK STOCK EXCHANGE (NYSE) - See Market.

NOMINEE NAME - The name in which a book entry certificate is held.

NONCALLABLE - Cannot be redeemed prior to maturity or cannot be redeemed for a specified period of time prior to maturity. Example: Five year noncall two would mean five years to maturity and not callable for the first two years.

NONDOLLAR DEBT OR DENOMINATION - Securities which are denominated or payable in foreign currency. The price and value of the security is also determined by the foreign currency. Therefore, the security is valued at its price in the foreign market, and then this value must be computed in dollars. A security of this type has an added dimension of risk. It may perform well in a foreign market, but if the value of the U. S. dollar has decreased relative to the foreign currency, market gains are offset by this decrease and may even result in losses.

NOTE - Typically an investment with a term of one to ten years paying interest on a periodic basis.

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ODD LOT - Increments of securities that are not generally accepted as tradable increments. Typically, trading an odd lot usually requires the payment of a premium for the inconvenience of handling such a transaction (also see Round Lot).

OPTIONS (CONTRACTS) - A contract which is sold to purchase or sell a specified amount of a specific security at a specific price at specific time in the future, if the contract is exercised within a specific time frame.

OVER-THE-COUNTER MARKET - Refers to the electronic environment that investment transactions take place. The "over-the-counter" market is an electronic and phone system used to trade investments that are not traded on recognized exchanges. Bond and money markets investments (fixed income securities) are traded on the "over-the-counter" market. (Also see Market).

PAR VALUE - The same as face value. Par value is the principal amount of a bond.

POSITIVE OR NORMAL YIELD CURVE - A yield curve in which short-term interest rates are lower than long-term interest rates. This is the prevailing case most of the time. Changes in the yield curve can be used to interpret market and economic conditions.

PREMIUM - Bond purchase price that is greater than that of its face value.

PRIMARY DEALER - Financial institutions so designated by the New York Federal Reserve Bank. The number of primary dealers ranges from approximately 25 to 35 at any given time. Primary dealers must undergo rigorous financial and ethical examination by the New York Federal Reserve Bank to obtain and maintain primary dealership status. They are also expected to provide a market for U. S. Treasury securities and to participate in the Federal Reserves periodic auction of new issue Treasury securities. The Federal Reserve's purpose in establishing a network of primary dealers is to ensure the efficient and sound marketability of U. S. Treasury securities.

PRICE - the percentage of par at which a security is bought and sold (see bid and offer). Corporate debt is traded in denominations of 100th of a percent. Government debt is traded in denominations of 32nds of a percent. Example: Corporate debt of \$1 million face amount priced at 98.12 equals \$981.200. Government debt of \$1 million face amount priced at 98.12 is really 98 and 3/8 equaling \$983,750.

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PRINCIPAL - The face amount of a security not taking into account discounts or premiums. The unpaid amount remaining on amortized debt. Original principal being the original amount of the debt. Interest is paid based on the principal amount.

PUT OPTION - A provision in a debt instrument that allows the investor to "put back" (sell) the instrument back to the issuer at a specified date or dates at a specified price.

RATE CEILING - The maximum rate at which a floating rate note can be set, regardless of the floating rate formula. Floating rate notes do not have a ceiling unless indicated otherwise. Example: 10% - 6 month LIBOR with a 5.5% ceiling. LIBOR might equal 5.75%, however the rate will never be higher than 5.5%.

RATE FLOOR - The minimum rate at which a floating rate note can be set, regardless of the floating rate formula. Floating rate notes do not have a floor unless indicated otherwise. Example: 10% - 6 month LIBOR with a 5.25% floor. The formula might equal 4.75%, however the rate will be 5.25% because of the floor.

RATING - See Bond Rating.

RATING AGENCY - Institutions who analyze and monitor the creditworthiness of corporations and governments. They utilize a system of ratings that apply to the debt issued by these entities to indicate relative creditworthiness.

RECOGNIZED EXCHANGE(S) - See Markets.

REDEMPTION OR TO REDEEM - To payoff debt either at maturity or prior to maturity, as in a call provision.

REGIONAL BROKER - A financial institution that participates in the market by matching up buyers and sellers. They are not national in scale and do not buy inventory for resale.

REGISTERED BONDS - Bonds that bear the owner's name on the face of the bonds and are for which the ownership is registered with the issuer or other registrar. Transfer of ownership occurs by endorsing the bond and sending it to the registrar or issuer, for re-issue in the name of the new owner.

REGULAR WAY (SETTLEMENT) - Used to indicate the next business day as the settlement date of a transaction.

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REVENUE ANTICIPATION NOTES OR RANs - Notes issued for thirteen months or less which are used to finance cash flow in anticipation of future tax revenue. Used by agencies having cash flow gaps between revenues and expenses that require short-term interim financing. Also see Tax Anticipation Notes (TANs) and Tax and Revenue Anticipation Notes (TRANs).

REPURCHASES AGREEMENT (Repo) - Technically, a repo is the purchase of securities where the seller will repurchase the securities on or before a specified date and for a specified amount. Practically, a repurchase agreement is a loan where securities are used as collateral. Included in the terms of the agreement is a date for reversing the exchange of loan proceeds plus interest for the collateral. The lender calls this transaction a repurchase agreement.

REVERSE REPURCHASE AGREEMENT (Reverse Repo) - A reverse repo is virtually the same agreement as a repo, however, the borrower calls the transaction a reverse repo.

ROLL OR ROLLOVER - For an investment to be redeemed and then immediately reissued.

ROUND LOT - The generally accepted increments in which securities are traded. In the fixed income market, round lots are typically \$1 million of face value.

SAFEKEEPING - The holding of securities in a segregated account by a custody agent or trustee. Transactions are escrowed through these accounts by the custody agent or trustee. Safekeeping services are typically provided by banks and other financial institutions.

SEC (SECURITIES AND EXCHANGE COMMISSION) - Provides regulatory oversight and enforcement of national securities laws. The SEC does not have authority over the government securities market. It does have authority over the municipal securities market.

SECURITY(IES) - Evidence of a property right.

SETTLEMENT DATE - The date on which a transaction will occur. Also see Trade Date.

SHORT - The sale of an investment when it is not owned. A typical short sale occurs when a decline in the market is anticipated. The seller then purchases the security at a lower price and takes a profit when the sale is consummated. Shorting usually requires that the consummation of the sale occur at a future time, not immediately. Primary dealers may also short sell certain government securities to meet their obligations as primary dealers.

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SHORT TERM INVESTMENT - Generally an investment having a maturity of less than one year.

SKIP DAY (SETTLEMENT) - Used to indicate the day after the next business day as the settlement date of a transaction.

SMALL BUSINESS ADMINISTRATION LOANS - SBA, loans made by banks to small business, which are then sold to the SBA who offers them for sale in the financial markets. Loans are purchased by the SBA to facilitate lending for small business enterprise.

STEP-DOWN FLOATER - A floating rate note with a declining interest rate linked to a benchmark interest rate. Example: year 1 the interest rate is 5% plus the 6 month LIBOR rate, year 2 the interest rate is 4% plus the 6 month LIBOR rate, year 3 the interest rate is 3% plus the 6 month LIBOR rate, etc.

STRIKE PRICE - The specified price at which the owner of a call option can purchase the security, or the specified price at which the owner of a put option can sell the security back to the issuer or the put option maker.

STRIPPED GOVERNMENT SECURITIES - Usually a Treasury that has had the semiannual interest payments separated from the principal. Investors then purchase the stream of interest payments or they purchase the non-interest bearing principal portion at a discounted price that produces a current market yield to maturity. Various types of stripped government securities include CATs - Certificates of Accrual on Treasury certificates, COUGRs - Certificates of Government Receipts, STAGS Sterling Transferable Accruing Government Securities, STRIPS Separate Trading of Registered Interest and Principal of Securities, TIGRs Treasury Investment Growth Certificates, ZEBRAs Zero coupon Eurosterling Bearer or Registered Accruing certificates. The monikers are placed on the various types of securities by the investment banking firm that creates the stripped securities.

STRUCTURED NOTE - A note containing interest rate terms which change but are not tied to another asset. Example: The rate for the first year is 6%, for the second year 6.5%, for the third year 7%, etc.

SYNTHETIC INSTRUMENTS - Instruments that are developed from combining two or more instruments, restructuring instruments or other alteration of an originally issued instrument. Also see Stripped Government Securities.

TAX ANTICIPATION NOTES OR TANS - Notes issued for thirteen months or less which are used to finance cash flow in anticipation of future tax revenue. Commonly used by California local governments whose primary revenues are property taxes that are collected in December

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and April. Also see Revenue Anticipation Notes (RANs) and Tax and Revenue Anticipation Notes (TRANs).

TAX AND REVENUE ANTICIPATION NOTES OR TRANS - Notes issued for thirteen months or less. They are a combination of Tax Anticipation Notes (TANs) and Revenue Anticipation Notes (RANs). Also see Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs).

THIRD PARTY SAFEKEEPING - Refers to holding securities in a trust account by an entity other than the party through whom the investment was purchased. (Also see Safekeeping).

TRADE - Transaction or to trade, to transact as in buying and selling.

TRADE DATE - The date that the terms of a transaction are agreed upon, including the settlement date. (Also see Settlement Date).

TREASURY BILL, BILL OR T-BILL - Short-term U. S. Treasury securities issued with maturities of three, six, and twelve months. Bills are issued and sold on a discounted basis and do not pay a coupon.

TREASURY NOTES OR NOTES - U. S. Treasury securities of a "medium-term" maturity of not less than one year to not less than ten years. Notes have a coupon rate that pays every six months.

TREASURY BONDS OR BONDS - U. S. Treasury securities with a "long-term" maturity of more than ten years. Bonds have a coupon rate that pays every six months. (Also see Bond.)

TURNAROUND - The receipt and subsequent redelivery of securities before the cutoff time. Also see Cutoff time.

UNDERWRITE - The responsibility of an underwriter to assume the risk of buying a new issue of securities from the issuer and reselling them to the public, either directly or through dealers or syndicates.

UNDERWRITER - A firm whose responsibility it is to organize the sale and marketing of a new issue of securities. (Also see Underwrite).

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U. S. DOLLAR DENOMINATED - Investments which are transacted in U. S. dollars. (Also see Nondollar Debt or Denominated).

VOLUNTARY DEPOSITOR - A depositor who is not mandated or legally required to deposit their funds in the county treasury.

WHEN ISSUED (SETTLEMENT) - Used to indicate the date of issuance as the settlement date of a transaction. Used when debt is sold in advance of the issuance.

(THE) WINDOW - The transaction settlement desk of the dealer and for the Fed Wire System. The cutoff time is referred to as the Window being closed. Also see Cutoff Time.

WIRED OR WIREABLE SECURITIES - Securities that can be transferred and paid for on the wire system maintained by the Federal Reserve. See also Book Entry Securities.

YIELD TO MATURITY - YTM is the coupon rate plus the additional yield generated by purchasing a security at a discount, or the coupon rate less the "negative yield" generated by purchasing a security at a premium.

ZERO COUPON BOND OR ZEROS - A bond which does not make periodic interest payments but instead is sold at a deep discount from the face value at which it will mature. The investor makes their return, or realizes a yield, from the gradual appreciation of the bond as it reaches maturity.

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Office of
Jenine Windeshausen
Treasurer-Tax Collector
County of Placer



COUNTY OF PLACER

TREASURER'S POOLED INVESTMENT REPORT

For the Month of March 31, 2019

PREFACE

Placer County Treasurer's Pooled Investment Report

March 31, 2019

For the purpose of clarity the following glossary of investment terms has been provided.

Book Value is the purchase price of a security plus amortization of any premium or discount. This may be more or less than face value, depending upon whether the security was purchased at a premium or at a discount.

Par Value is the principal amount of a security and the amount of principal that will be paid at maturity.

Market Value is the value at which a security can be sold at the time it is priced or the need to sell arises.

Market values are only relevant if the investment is sold prior to maturity. Profit or loss would be realized only if the specific investment were to be sold.

Government Code 53646 Compliance Report

The following information is a monthly update of funds on deposit in the Placer County Treasury pursuant to California Government code Section 53646. Further details of individual investments are included in the Treasurer's Monthly Investment Report. All investment transactions and decisions have been made with full compliance with California Government Code and Placer County's Statement of Investment Policy.

Individual securities are priced at the end of each month by Wells Fargo Bank.

The Weighted Average Maturity of the investments with the Treasury is 1,005 days.

The ability of the Placer County Treasury to meet its cash flow needs is demonstrated by \$719,150,894.70 in cash and investments maturing in the next 180 days.



**General Fund
Portfolio Management
Portfolio Summary
March 31, 2019**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
U.S. Treasury Coupons	30,000,000.00	29,800,800.00	29,962,407.80	1.80	1,672	699	1.770	1.794
mPower Placer - Long Term	10,121,899.44	10,173,660.89	10,246,014.62	0.61	7,369	6,617	4.451	4.513
Federal Agency Coupons	955,000,000.00	946,585,250.00	954,809,161.53	57.27	1,616	861	1.862	1.888
Medium Term Notes	80,000,000.00	79,371,900.00	79,723,256.92	4.78	1,511	623	2.298	2.330
Negotiable Certificates of Deposit	150,000,000.00	150,021,450.00	150,000,000.00	9.00	128	93	2.649	2.686
Collateralized CDs	11,000,000.00	11,000,000.00	11,000,000.00	0.66	365	74	1.909	1.936
Supranational	10,000,000.00	9,961,241.67	9,958,615.12	0.60	178	116	2.559	2.595
Commercial Paper Disc. -Amortizing	150,000,000.00	149,882,783.33	149,882,783.33	8.99	34	10	2.459	2.493
Treasury Discounts -Amortizing	140,000,000.00	139,323,700.00	139,310,391.37	8.36	132	73	2.471	2.505
Local Agency Bond	11,000,744.91	10,681,862.49	11,000,744.91	0.66	7,742	7,087	2.766	2.804
Local Agency Bonds	88,901,664.35	91,024,287.77	88,901,664.35	5.33	6,731	5,433	3.335	3.381
Rolling Repurchase Agreements - 2	14,647,025.73	14,647,025.73	14,647,025.73	0.88	1	1	0.180	0.183
mPower Placer	14,931,830.61	13,737,565.97	14,931,830.61	0.90	7,712	7,122	3.531	3.580
mPower - Folsom	2,935,430.38	2,663,340.03	2,935,430.38	0.18	7,693	6,465	1.250	1.267
Investments	1,668,538,595.42	1,658,874,867.88	1,667,309,326.67	100.00%	1,595	1,005	2.161	2.191
Cash								
Passbook/Checking (not included in yield calculations)	13,333,236.85	13,333,236.85	13,333,236.85		1	1	0.000	0.000
Total Cash and Investments	1,681,871,832.27	1,672,208,104.73	1,680,642,563.52		1,595	1,005	2.161	2.191

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	2,956,677.75	22,560,566.92
Average Daily Balance	1,634,986,639.76	1,499,038,919.74
Effective Rate of Return	2.13%	2.00%

ERIC WAIDMANN, ASST. TREASURER-TAX COLLECTOR

4/23/19

**General Fund
Portfolio Management
Portfolio Details - Investments
March 31, 2019**

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
U.S. Treasury Coupons											
912828TN0	15058	U.S. TREASURY N/B		12/03/2015	10,000,000.00	9,938,700.00	9,982,626.19	1.000	1.430	152	08/31/2019
912828A42	15059	U.S. TREASURY N/B		12/04/2015	10,000,000.00	9,944,100.00	10,030,796.59	2.000	1.806	609	11/30/2020
912828M80	17022	U.S. TREASURY N/B		12/01/2017	10,000,000.00	9,918,000.00	9,948,985.02	2.000	2.147	1,339	11/30/2022
Subtotal and Average			29,960,880.32		30,000,000.00	29,800,800.00	29,962,407.80		1.794	699	
mPower Placer - Long Term											
2015NR-A	2015NR-A	mPower Placer		06/16/2015	1,968,299.00	1,920,563.81	1,968,299.00	4.000	3.999	5,998	09/02/2035
2015NR-BLT	2015NR-BLT	mPower Placer		09/02/2016	2,838,648.02	2,760,607.91	2,838,648.02	4.000	4.000	6,364	09/02/2036
2015R-B	2015R-B	mPower Placer		06/16/2015	690,000.00	781,875.57	728,454.00	6.000	5.435	5,998	09/02/2035
72601FAC2	2018B	Public Finance Authority		06/28/2018	4,624,952.42	4,710,613.60	4,710,613.60	5.050	4.894	7,123	10/01/2038
Subtotal and Average			10,246,457.37		10,121,899.44	10,173,660.89	10,246,014.62		4.513	6,617	
Federal Agency Coupons											
3133EFRM1	15056	FEDERAL FARM CREDIT BANK		12/02/2015	10,000,000.00	9,952,300.00	10,000,000.00	1.640	1.640	245	12/02/2019
3133EFX36	15105	FEDERAL FARM CREDIT BANK		04/05/2016	10,000,000.00	9,866,200.00	10,000,000.00	1.680	1.680	735	04/05/2021
3133EGKA2	16001	FEDERAL FARM CREDIT BANK		07/06/2016	10,000,000.00	9,814,600.00	10,000,000.00	1.500	1.500	827	07/06/2021
3133EGLH6	16002	FEDERAL FARM CREDIT BANK		07/12/2016	10,000,000.00	9,840,800.00	10,000,000.00	1.420	1.420	652	01/12/2021
3133EGLU7	16004	FEDERAL FARM CREDIT BANK		07/14/2016	10,000,000.00	9,808,600.00	10,000,000.00	1.480	1.480	835	07/14/2021
3133EGXU4	16030	FEDERAL FARM CREDIT BANK		10/06/2016	10,000,000.00	9,856,900.00	10,000,000.00	1.370	1.370	554	10/06/2020
3133EGZP3	16031	FEDERAL FARM CREDIT BANK		10/25/2016	10,000,000.00	9,813,800.00	9,997,433.33	1.580	1.590	938	10/25/2021
3133EGZP3	16032	FEDERAL FARM CREDIT BANK		10/25/2016	10,000,000.00	9,813,800.00	9,997,433.33	1.580	1.590	938	10/25/2021
3133EGS30	16043	FEDERAL FARM CREDIT BANK		12/06/2016	10,000,000.00	9,915,600.00	10,000,000.00	2.000	2.000	980	12/06/2021
3133EGU37	16049	FEDERAL FARM CREDIT BANK		12/14/2016	10,000,000.00	9,915,600.00	10,000,000.00	1.830	1.830	623	12/14/2020
3133EGU86	16052	FEDERAL FARM CREDIT BANK		12/19/2016	10,000,000.00	9,938,600.00	10,000,000.00	1.500	1.500	262	12/19/2019
3133EG2P9	16063	FEDERAL FARM CREDIT BANK		12/29/2016	10,000,000.00	9,955,400.00	10,000,000.00	2.320	2.320	1,003	12/29/2021
3133EG2P9	16064	FEDERAL FARM CREDIT BANK		12/29/2016	10,000,000.00	9,955,400.00	10,000,000.00	2.320	2.320	1,003	12/29/2021
3133EG6N0	16084	FEDERAL FARM CREDIT BANK		02/09/2017	10,000,000.00	9,927,700.00	10,000,000.00	1.940	1.940	680	02/09/2021
3133EG7D1	16086	FEDERAL FARM CREDIT BANK		02/17/2017	10,000,000.00	9,950,500.00	9,996,259.11	1.550	1.612	228	11/15/2019
3133EHGZ0	16108	FEDERAL FARM CREDIT BANK		04/27/2017	10,000,000.00	9,917,200.00	10,000,000.00	1.580	1.580	392	04/27/2020
3133EHQM8	17001	FEDERAL FARM CREDIT BANK		07/05/2017	10,000,000.00	9,906,900.00	10,000,000.00	1.950	1.950	918	10/05/2021
3133EHQZ9	17003	FEDERAL FARM CREDIT BANK		07/12/2017	10,000,000.00	9,947,500.00	9,991,798.61	2.150	2.177	1,198	07/12/2022
3133EHF73	17012	FEDERAL FARM CREDIT BANK		10/17/2017	10,000,000.00	9,952,000.00	10,000,000.00	2.280	2.511	1,295	10/17/2022
3133EHN85	17028	FEDERAL FARM CREDIT BANK		12/12/2017	10,000,000.00	9,897,800.00	9,951,301.51	1.870	2.100	805	06/14/2021
3133EH2P7	17029	FEDERAL FARM CREDIT BANK		12/12/2017	10,000,000.00	9,980,700.00	9,997,781.67	2.390	2.396	1,351	12/12/2022
3133EH3D3	17033	FEDERAL FARM CREDIT BANK		12/15/2017	10,000,000.00	10,000,000.00	9,990,736.11	2.430	2.457	1,354	12/15/2022
3133EH4R1	17037	FEDERAL FARM CREDIT BANK		12/28/2017	10,000,000.00	9,969,100.00	10,000,000.00	2.120	2.121	546	09/28/2020

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**General Fund
Portfolio Management
Portfolio Details - Investments
March 31, 2019**

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupons											
3133EJKZ1	17067	FEDERAL FARM CREDIT BANK		04/12/2018	10,000,000.00	10,000,100.00	10,000,000.00	3.000	3.000	1,290	10/12/2022
3130A86G3	15119	FEDERAL HOME LOAN BANK		05/25/2016	10,000,000.00	9,854,600.00	10,000,000.00	1.600	1.600	604	11/25/2020
3130A8LS0	15130	FEDERAL HOME LOAN BANK		06/30/2016	10,000,000.00	9,777,800.00	10,000,000.00	1.500	1.500	821	06/30/2021
3130A8MP5	16003	FEDERAL HOME LOAN BANK		07/13/2016	10,000,000.00	9,844,600.00	10,000,000.00	1.375	1.375	561	10/13/2020
3130A8P80	16005	FEDERAL HOME LOAN BANK		07/19/2016	10,000,000.00	9,829,600.00	10,000,000.00	1.400	1.400	659	01/19/2021
3130A9LS8	16026	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,852,300.00	10,000,000.00	1.375	1.375	546	09/28/2020
3130A9LT6	16027	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,807,400.00	10,000,000.00	1.550	1.550	911	09/28/2021
3130A9NG2	16029	FEDERAL HOME LOAN BANK		10/06/2016	10,000,000.00	9,793,100.00	9,993,966.67	1.540	1.565	919	10/06/2021
3130A9TV3	16038	FEDERAL HOME LOAN BANK		11/08/2016	10,000,000.00	9,881,100.00	9,994,794.44	1.500	1.421	952	11/08/2021
3130A9TP6	16039	FEDERAL HOME LOAN BANK		11/15/2016	10,000,000.00	9,969,800.00	10,000,000.00	1.500	1.286	410	05/15/2020
3130AA2F4	16040	FEDERAL HOME LOAN BANK		11/23/2016	10,000,000.00	9,831,400.00	10,000,000.00	1.700	1.700	967	11/23/2021
3130AB3L8	16109	FEDERAL HOME LOAN BANK		04/27/2017	10,000,000.00	9,970,200.00	10,000,000.00	1.750	2.492	1,122	04/27/2022
3130ABPE0	16113	FEDERAL HOME LOAN BANK		06/29/2017	10,000,000.00	9,922,700.00	10,000,000.00	2.125	2.125	1,185	06/29/2022
3130ABNV4	17004	FEDERAL HOME LOAN BANK		07/13/2017	10,000,000.00	9,913,200.00	9,993,840.00	1.750	1.800	469	07/13/2020
3130ACJ47	17014	FEDERAL HOME LOAN BANK		10/25/2017	10,000,000.00	9,879,500.00	9,987,160.00	1.750	2.387	1,303	10/25/2022
3130ACUK8	17020	FEDERAL HOME LOAN BANK		11/28/2017	10,000,000.00	9,912,000.00	9,995,683.33	2.000	2.021	788	05/28/2021
3130ACX82	17023	FEDERAL HOME LOAN BANK		12/06/2017	10,000,000.00	9,949,900.00	9,987,120.62	2.375	2.412	1,344	12/05/2022
3130ACU28	17030	FEDERAL HOME LOAN BANK		12/13/2017	10,000,000.00	9,982,500.00	10,000,000.00	2.375	2.375	1,352	12/13/2022
3130ADGX4	17051	FEDERAL HOME LOAN BANK		01/30/2018	10,000,000.00	9,969,200.00	10,000,000.00	2.250	2.251	578	10/30/2020
3130ADDR0	17052	FEDERAL HOME LOAN BANK		01/31/2018	10,000,000.00	9,980,000.00	9,978,694.24	2.250	2.374	666	01/26/2021
3134G9KW6	15121	FED HOME LOAN MORT CORP		06/08/2016	10,000,000.00	9,924,800.00	10,000,000.00	1.350	1.350	239	11/26/2019
3134G9UM7	15133	FED HOME LOAN MORT CORP		06/30/2016	10,000,000.00	9,874,100.00	10,000,000.00	1.500	1.730	821	06/30/2021
3134G9E52	15134	FED HOME LOAN MORT CORP		06/30/2016	10,000,000.00	9,833,100.00	10,000,000.00	1.330	1.330	639	12/30/2020
3134G9K22	16007	FED HOME LOAN MORT CORP		07/27/2016	10,000,000.00	9,900,100.00	10,000,000.00	1.500	1.300	848	07/27/2021
3134GAEG5	16021	FED HOME LOAN MORT CORP		08/24/2016	10,000,000.00	9,920,300.00	10,000,000.00	1.500	1.737	876	08/24/2021
3134G93Q8	16022	FED HOME LOAN MORT CORP		08/25/2016	10,000,000.00	9,842,900.00	10,000,000.00	1.680	1.680	877	08/25/2021
3134G95L7	16023	FED HOME LOAN MORT CORP		08/25/2016	10,000,000.00	9,825,100.00	10,000,000.00	1.600	1.600	877	08/25/2021
3134GABL7	16024	FED HOME LOAN MORT CORP		08/30/2016	10,000,000.00	9,874,300.00	10,000,000.00	1.500	1.500	515	08/28/2020
3134GAGC2	16025	FED HOME LOAN MORT CORP		09/13/2016	10,000,000.00	9,910,200.00	10,000,000.00	1.500	1.400	896	09/13/2021
3134GAQV9	16035	FED HOME LOAN MORT CORP		10/27/2016	10,000,000.00	9,825,300.00	10,000,000.00	1.400	1.657	940	10/27/2021
3134GAVP6	16037	FED HOME LOAN MORT CORP		11/04/2016	10,000,000.00	9,938,700.00	10,000,000.00	1.500	1.420	948	11/04/2021
3134GBHH8	16107	FED HOME LOAN MORT CORP		04/27/2017	10,000,000.00	9,993,000.00	10,000,000.00	2.000	1.900	1,122	04/27/2022
3134GBXF4	16114	FED HOME LOAN MORT CORP		06/30/2017	10,000,000.00	9,904,900.00	10,000,000.00	2.000	2.000	1,003	12/29/2021
3134GBWF5	17002	FED HOME LOAN MORT CORP		07/10/2017	10,000,000.00	9,984,700.00	9,990,206.82	2.000	1.957	1,185	06/29/2022
3134GBXB3	17005	FED HOME LOAN MORT CORP		07/18/2017	10,000,000.00	9,965,800.00	10,000,000.00	1.800	2.377	1,204	07/18/2022
3134GBYM8	17006	FED HOME LOAN MORT CORP		07/27/2017	10,000,000.00	9,949,900.00	10,000,000.00	2.200	2.200	1,213	07/27/2022

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Federal Agency Coupons											
3134GBYQ9	17007	FED HOME LOAN MORT CORP		07/27/2017	10,000,000.00	9,924,900.00	10,000,000.00	2.000	2.000	757	04/27/2021
3134GBJ29	17009	FED HOME LOAN MORT CORP		09/29/2017	10,000,000.00	9,997,900.00	10,000,000.00	2.000	1.900	1,277	09/29/2022
3134GBM74	17010	FED HOME LOAN MORT CORP		09/29/2017	10,000,000.00	9,933,900.00	10,000,000.00	2.150	2.150	1,277	09/29/2022
3134GBV33	17016	FED HOME LOAN MORT CORP		10/27/2017	10,000,000.00	9,999,900.00	10,000,000.00	2.000	1.950	1,305	10/27/2022
3134GB3B6	17021	FED HOME LOAN MORT CORP		11/30/2017	10,000,000.00	9,915,800.00	10,000,000.00	2.000	2.000	697	02/26/2021
3134GB7G1	17035	FED HOME LOAN MORT CORP		12/21/2017	10,000,000.00	9,964,900.00	10,000,000.00	2.250	2.724	1,360	12/21/2022
3134GB6H0	17036	FED HOME LOAN MORT CORP		12/27/2017	10,000,000.00	9,995,100.00	10,000,000.00	2.500	2.400	1,366	12/27/2022
3134GSAG0	17038	FED HOME LOAN MORT CORP		12/28/2017	10,000,000.00	9,969,800.00	10,000,000.00	2.350	2.350	1,184	06/28/2022
3134GB6V9	17039	FED HOME LOAN MORT CORP		12/28/2017	10,000,000.00	9,959,500.00	10,000,000.00	2.500	2.500	1,367	12/28/2022
3134GB5U2	17040	FED HOME LOAN MORT CORP		12/29/2017	10,000,000.00	9,947,700.00	10,000,000.00	2.125	2.125	820	06/29/2021
3134GB6P2	17041	FED HOME LOAN MORT CORP		12/29/2017	10,000,000.00	9,939,000.00	10,000,000.00	2.000	2.000	455	06/29/2020
3134GSCD5	17053	FED HOME LOAN MORT CORP		01/31/2018	10,000,000.00	10,000,400.00	9,954,033.33	2.550	2.679	1,400	01/30/2023
3134GSDA0	17057	FED HOME LOAN MORT CORP		02/27/2018	10,000,000.00	10,005,300.00	10,000,000.00	2.750	2.750	1,428	02/27/2023
3134GSJH9	17066	FED HOME LOAN MORT CORP		04/11/2018	15,000,000.00	15,001,500.00	15,000,000.00	2.875	2.858	1,197	07/11/2022
3134GSJG1	17071	FED HOME LOAN MORT CORP		04/27/2018	15,000,000.00	15,002,100.00	15,000,000.00	2.730	2.731	848	07/27/2021
3136G2SD0	15034	FEDERAL NATIONAL MORT. ASSOC.		10/30/2015	10,000,000.00	9,939,000.00	10,000,000.00	1.400	1.400	211	10/29/2019
3136G2YA9	15096	FEDERAL NATIONAL MORT. ASSOC.		02/26/2016	10,000,000.00	9,933,700.00	10,000,000.00	1.400	1.400	239	11/26/2019
3136G3CT0	15097	FEDERAL NATIONAL MORT. ASSOC.		03/15/2016	10,000,000.00	9,976,500.00	10,000,000.00	2.000	1.896	714	03/15/2021
3136G3MG7	15114	FEDERAL NATIONAL MORT. ASSOC.		05/20/2016	10,000,000.00	9,891,600.00	9,996,462.10	1.500	1.532	413	05/18/2020
3136G3QU2	15120	FEDERAL NATIONAL MORT. ASSOC.		05/25/2016	10,000,000.00	9,862,000.00	10,000,000.00	1.750	1.750	785	05/25/2021
3136G3RK3	15124	FEDERAL NATIONAL MORT. ASSOC.		06/14/2016	10,000,000.00	9,840,300.00	10,000,000.00	1.800	1.613	805	06/14/2021
3136G3RK3	15126	FEDERAL NATIONAL MORT. ASSOC.		06/29/2016	10,000,000.00	9,840,300.00	10,021,324.37	1.800	1.511	805	06/14/2021
3136G3WK7	15128	FEDERAL NATIONAL MORT. ASSOC.		06/30/2016	10,000,000.00	9,882,300.00	10,000,000.00	1.220	1.220	364	03/30/2020
3136G3WK7	15129	FEDERAL NATIONAL MORT. ASSOC.		06/30/2016	10,000,000.00	9,882,300.00	10,000,000.00	1.220	1.220	364	03/30/2020
3136G3XZ3	16008	FEDERAL NATIONAL MORT. ASSOC.		07/28/2016	10,000,000.00	9,824,200.00	10,000,000.00	1.500	1.500	849	07/28/2021
3136G3XY6	16009	FEDERAL NATIONAL MORT. ASSOC.		07/28/2016	10,000,000.00	9,931,900.00	10,000,000.00	2.000	1.600	849	07/28/2021
3135G0N58	16016	FEDERAL NATIONAL MORT. ASSOC.		08/16/2016	10,000,000.00	9,952,800.00	9,999,375.00	1.200	1.217	137	08/16/2019
3136G4CV3	16028	FEDERAL NATIONAL MORT. ASSOC.		09/30/2016	10,000,000.00	9,782,200.00	9,993,756.94	1.400	1.426	913	09/30/2021
3136G4DF7	16034	FEDERAL NATIONAL MORT. ASSOC.		10/26/2016	10,000,000.00	9,824,800.00	10,000,000.00	1.500	1.500	847	07/26/2021
3136G4EV1	16036	FEDERAL NATIONAL MORT. ASSOC.		10/28/2016	10,000,000.00	9,834,700.00	10,000,000.00	1.625	1.625	941	10/28/2021
3136G4JJ3	16060	FEDERAL NATIONAL MORT. ASSOC.		12/28/2016	10,000,000.00	9,870,400.00	10,000,000.00	1.750	1.750	546	09/28/2020
3136G4NE9	16095	FEDERAL NATIONAL MORT. ASSOC.		03/29/2017	10,000,000.00	9,902,400.00	10,000,000.00	1.750	1.750	455	06/29/2020
3136G4PR8	17011	FEDERAL NATIONAL MORT. ASSOC.		10/05/2017	15,000,000.00	14,830,950.00	15,000,000.00	2.160	2.160	1,283	10/05/2022
3136G4PZ0	17015	FEDERAL NATIONAL MORT. ASSOC.		10/26/2017	10,000,000.00	9,936,400.00	10,000,000.00	2.000	2.000	847	07/26/2021
3136G4SK0	17070	FEDERAL NATIONAL MORT. ASSOC.		04/26/2018	10,000,000.00	10,003,600.00	10,000,000.00	3.050	3.050	1,486	04/26/2023
Subtotal and Average			957,064,170.18		955,000,000.00	946,585,250.00	954,809,161.53		1.888	861	

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Medium Term Notes											
037833AQ3	14098	Apple Inc.		06/26/2015	10,000,000.00	9,995,100.00	10,002,500.36	2.100	1.832	35	05/06/2019
037833BS8	17054	Apple Inc.		01/31/2018	10,000,000.00	9,964,000.00	9,948,856.19	2.250	2.532	694	02/23/2021
459200HM6	15005	IBM CORP		07/13/2015	10,000,000.00	9,889,200.00	9,950,045.01	1.625	2.095	410	05/15/2020
478160BS2	17055	Johnson & Johnson		02/02/2018	10,000,000.00	9,839,900.00	9,862,186.65	1.650	2.400	700	03/01/2021
594918AY0	14050	Microsoft Corp		02/23/2015	10,000,000.00	9,952,400.00	10,002,416.38	1.850	1.821	317	02/12/2020
89236TEH4	17050	TOYOTA MOTOR CREDIT		01/23/2018	10,000,000.00	9,796,300.00	9,967,627.68	2.250	2.405	798	06/07/2021
89236TEY7	17074	TOYOTA MOTOR CREDIT		06/01/2018	10,000,000.00	9,960,200.00	9,989,624.65	3.100	3.127	1,486	04/26/2023
94986RYY1	15017	Wells Fargo & Co		09/25/2015	10,000,000.00	9,974,800.00	10,000,000.00	2.500	2.431	543	09/25/2020
Subtotal and Average			79,718,101.02		80,000,000.00	79,371,900.00	79,723,256.92		2.330	623	
Negotiable Certificates of Deposit											
00851BCG8	18181	Agricultural Bk China NY		03/08/2019	20,000,000.00	20,002,600.00	20,000,000.00	2.700	2.737	98	07/08/2019
05971XMD0	18179	BANCO ESTADO CHILE/NY		03/08/2019	20,000,000.00	20,000,800.00	20,000,000.00	2.570	2.606	67	06/07/2019
53947CBD9	18221	Lloyds Bank Corp Mkts NY		03/26/2019	20,000,000.00	19,999,200.00	20,000,000.00	2.610	2.646	128	08/07/2019
53947CBC1	18222	Lloyds Bank Corp Mkts NY		03/26/2019	20,000,000.00	19,998,800.00	20,000,000.00	2.600	2.636	116	07/26/2019
86565BTR2	18096	SUMITOMO MITSUI TRUST NY		01/17/2019	25,000,000.00	25,007,500.00	25,000,000.00	2.710	2.748	46	05/17/2019
86564FUY7	18214	Sumitomo Mitsui Trust		03/22/2019	20,000,000.00	19,999,800.00	20,000,000.00	2.585	2.621	112	07/22/2019
89114MTC1	18087	TORONTO DOMINION BANK NY		01/14/2019	25,000,000.00	25,012,750.00	25,000,000.00	2.770	2.770	98	07/08/2019
Subtotal and Average			95,161,290.32		150,000,000.00	150,021,450.00	150,000,000.00		2.686	93	
Collateralized CDs											
SYS18004	18004	Five Star Bank		08/23/2018	5,000,000.00	5,000,000.00	5,000,000.00	2.400	2.433	144	08/23/2019
SYS17069	17069	River City Bank		04/17/2018	6,000,000.00	6,000,000.00	6,000,000.00	1.500	1.521	16	04/17/2019
Subtotal and Average			11,000,000.00		11,000,000.00	11,000,000.00	11,000,000.00		1.936	74	
Supranational											
459058EV1	18109	INT'L BANK RECON & DEVELOP		01/29/2019	10,000,000.00	9,961,241.67	9,958,615.12	1.250	2.595	116	07/26/2019
Subtotal and Average			9,953,438.24		10,000,000.00	9,961,241.67	9,958,615.12		2.595	116	
Commercial Paper Disc. -Amortizing											
09659KR10	18233	BNP PARIBAS FORTIS SA/NY		03/29/2019	50,000,000.00	50,000,000.00	50,000,000.00	2.360	2.393	0	04/01/2019
09659KR10	18234	BNP PARIBAS FORTIS SA/NY		03/29/2019	50,000,000.00	50,000,000.00	50,000,000.00	2.360	2.393	0	04/01/2019
09659CR18	18235	BNP PARIBAS NY		03/29/2019	10,000,000.00	10,000,000.00	10,000,000.00	2.360	2.393	0	04/01/2019
62479MSA2	18081	MUFG BANK LTD/NY		01/10/2019	20,000,000.00	19,941,283.33	19,941,283.33	2.710	2.773	39	05/10/2019
63873KSA6	18083	NATEXIS BANQ POPULAIR NY		01/11/2019	20,000,000.00	19,941,500.00	19,941,500.00	2.700	2.762	39	05/10/2019

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Subtotal and Average			179,339,962.01		150,000,000.00	149,882,783.33	149,882,783.33		2.493	10	
Treasury Discounts -Amortizing											
912796RJ0	18032	U.S TREASURY N/B		12/13/2018	10,000,000.00	9,979,800.00	9,979,118.05	2.425	2.517	31	05/02/2019
912796RP6	18034	U.S TREASURY N/B		12/13/2018	10,000,000.00	9,975,000.00	9,974,350.00	2.430	2.523	38	05/09/2019
912796RQ4	18035	U.S TREASURY N/B		12/13/2018	10,000,000.00	9,970,500.00	9,969,375.00	2.450	2.545	45	05/16/2019
912796RP6	18043	U.S TREASURY N/B		12/17/2018	10,000,000.00	9,975,000.00	9,974,297.22	2.435	2.528	38	05/09/2019
912796RQ4	18044	U.S TREASURY N/B		12/17/2018	10,000,000.00	9,970,500.00	9,969,562.50	2.435	2.529	45	05/16/2019
912796RJ0	18045	U.S TREASURY N/B		12/17/2018	10,000,000.00	9,979,800.00	9,978,954.44	2.444	2.536	31	05/02/2019
912796RS0	18161	U.S TREASURY N/B		03/01/2019	10,000,000.00	9,956,700.00	9,956,330.00	2.382	2.464	66	06/06/2019
912796RZ4	18178	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,933,500.00	9,933,227.78	2.380	2.467	101	07/11/2019
912796RW1	18180	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,937,500.00	9,936,930.55	2.390	2.476	95	07/05/2019
912796RU5	18182	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,952,100.00	9,951,536.11	2.390	2.473	73	06/13/2019
912796RS0	18183	U.S TREASURY N/B		03/08/2019	10,000,000.00	9,956,700.00	9,956,000.00	2.400	2.482	66	06/06/2019
912796SF7	18197	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,901,800.00	9,898,750.00	2.430	2.527	150	08/29/2019
912796SB6	18198	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,919,700.00	9,918,497.22	2.405	2.496	122	08/01/2019
912796SC4	18199	U.S TREASURY N/B		03/14/2019	10,000,000.00	9,915,100.00	9,913,462.50	2.415	2.507	129	08/08/2019
Subtotal and Average			117,756,194.34		140,000,000.00	139,323,700.00	139,310,391.37		2.505	73	
Supranational Discounts -Amortizing											
Subtotal and Average			4,514,131.27								
Local Agency Bond											
SYS16098	16098	Ackerman School District		04/03/2017	6,599,219.45	6,493,216.19	6,599,219.45	2.800	2.800	6,577	04/03/2037
SYS13072	13072	Mid Placer Public School Trans		06/13/2014	24,457.32	24,457.32	24,457.32	2.300	2.300	73	06/13/2019
SYS17042	17042	Mid Placer Public School Trans		12/21/2017	354,738.21	363,494.21	354,738.21	2.850	2.850	3,186	12/21/2027
SYS18093	18093	Mid Placer Public School Trans		01/16/2019	974,221.81	974,221.81	974,221.81	3.000	3.000	3,578	01/16/2029
16115	16115	Newcastle Elementary SD		06/30/2017	2,901,933.32	2,680,298.16	2,901,933.32	2.800	2.800	10,317	06/30/2047
SYS13069	13069	City of Rocklin Successor Agcy		05/01/2014	146,174.80	146,174.80	146,174.80	1.750	1.752	30	05/01/2019
Subtotal and Average			11,000,744.91		11,000,744.91	10,681,862.49	11,000,744.91		2.804	7,087	
Local Agency Bonds											
SYS15022	15022	Middle Fork JPA		04/01/2015	74,171,664.35	74,444,067.20	74,171,664.35	3.471	3.519	6,210	04/01/2036
SYS17034	17034	Pioneer Community Energy		12/14/2017	14,730,000.00	16,580,220.57	14,730,000.00	2.650	2.687	1,522	06/01/2023
Subtotal and Average			88,901,664.35		88,901,664.35	91,024,287.77	88,901,664.35		3.381	5,433	

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Rolling Repurchase Agreements - 2											
SYS000SWEEP3	SWEEP3	WELLS FARGO BANK		03/01/2018	14,647,025.73	14,647,025.73	14,647,025.73	0.180	0.183	1	
Subtotal and Average			12,557,143.29		14,647,025.73	14,647,025.73	14,647,025.73		0.183	1	
mPower Placer											
2016NR-A	2016NR-A	mPower Placer		08/04/2016	3,780,202.41	3,333,317.84	3,780,202.41	3.000	3.042	6,729	09/02/2037
2017 NR	2017 NR	mPower Placer		07/06/2017	243,165.32	212,132.76	243,165.32	3.000	3.042	7,094	09/02/2038
2017 R	2017 R	mPower Placer		07/06/2017	292,281.81	253,419.73	292,281.81	3.000	3.042	7,094	09/02/2038
2018 NR	2018 NR	mPower Placer		07/26/2018	46,344.27	46,344.27	46,344.27	4.500	4.563	7,459	09/02/2039
2018 R	2018 R	mPower Placer		07/12/2018	301,915.08	301,915.08	301,915.08	4.500	4.563	7,459	09/02/2039
2018 S-NR	18003	Pioneer Community Energy		08/09/2018	249,520.59	249,520.59	249,520.59	4.500	4.563	7,459	09/02/2039
2017 S NR	2017 S-NR	Pioneer Community Energy		09/28/2017	138,322.57	116,153.06	138,322.57	3.000	3.042	7,094	09/02/2038
2017 S-R	2017 S-R	Pioneer Community Energy		07/06/2017	4,839,028.08	4,224,616.68	4,839,028.08	3.000	3.042	7,094	09/02/2038
2018 S-R	2018 S-R	Pioneer Community Energy		07/12/2018	4,686,281.42	4,686,281.42	4,686,281.42	4.500	4.563	7,459	09/02/2039
2016S R-1	2016S R-1	Sierra Valley Energy Authority		01/26/2017	354,769.06	313,864.54	354,769.06	3.000	3.042	6,729	09/02/2037
Subtotal and Average			14,797,832.58		14,931,830.61	13,737,565.97	14,931,830.61		3.580	7,122	
mPower - Folsom											
2016-IA3 #2	2016-IA3 #2	mPower Folsom		07/14/2016	310,131.83	308,031.31	310,131.83	1.250	1.267	6,729	09/02/2037
2017-IA3 #3	2017-IA3 #3	mPower Folsom		07/27/2017	250,455.96	212,583.76	250,455.96	1.250	1.267	7,094	09/02/2038
MFIA-2 NR	IA2-NR	mPower Folsom		08/06/2015	1,502,306.58	1,358,753.67	1,502,306.58	1.250	1.267	6,364	09/02/2036
MFIA-3	MFIA-3	mPower Folsom		09/01/2015	610,107.61	543,518.64	610,107.61	1.250	1.267	6,364	09/02/2036
MF R-1	MFR-1	mPower Folsom		09/01/2015	262,428.40	240,452.65	262,428.40	1.250	1.267	6,364	09/02/2036
Subtotal and Average			2,935,430.38		2,935,430.38	2,663,340.03	2,935,430.38		1.267	6,465	
Total and Average			1,634,986,639.76		1,668,538,595.42	1,658,874,867.88	1,667,309,326.67		2.191	1,005	

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**General Fund
Portfolio Management
Portfolio Details - Cash
March 31, 2019**

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	Days to Maturity
Cash at Bank										
SYS00000	00000	PLACER COUNTY CASH			12,815,243.22	12,815,243.22	12,815,243.22		0.000	1
Undeposited Receipts										
SYS00000VAULT	00000VAULT	PLACER COUNTY CASH			517,993.63	517,993.63	517,993.63		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			1,634,986,639.76		1,681,871,832.27	1,672,208,104.73	1,680,642,563.52		2.191	1,005



Placer County

**General Fund
Purchases Report
Sorted by Fund - Fund
March 1, 2019 - March 31, 2019**

CUSIP	Investment #	Fund	Sec. Type Issuer	Original Par Value	Purchase Date Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
General Fund											
63873KQ42	18162	1010	ACP NATXNY	50,000,000.00	03/01/2019 03/04 - At Maturity	49,990,166.67		2.360	03/04/2019	2.360	0.00
63873KQ42	18163	1010	ACP NATXNY	50,000,000.00	03/01/2019 03/04 - At Maturity	49,990,166.67		2.360	03/04/2019	2.360	0.00
63873KQ42	18164	1010	ACP NATXNY	15,000,000.00	03/01/2019 03/04 - At Maturity	14,997,050.00		2.360	03/04/2019	2.360	0.00
912796RS0	18161	1010	ATD T	10,000,000.00	03/01/2019 06/06 - At Maturity	9,935,818.33		2.382	06/06/2019	2.431	9,956,330.00
63873KQ59	18165	1010	ACP NATXNY	50,000,000.00	03/04/2019 03/05 - At Maturity	49,996,722.22		2.360	03/05/2019	2.360	0.00
63873KQ59	18166	1010	ACP NATXNY	50,000,000.00	03/04/2019 03/05 - At Maturity	49,996,722.22		2.360	03/05/2019	2.360	0.00
63873KQ67	18167	1010	ACP NATXNY	50,000,000.00	03/05/2019 03/06 - At Maturity	49,996,722.22		2.360	03/06/2019	2.360	0.00
63873KQ67	18168	1010	ACP NATXNY	50,000,000.00	03/05/2019 03/06 - At Maturity	49,996,722.22		2.360	03/06/2019	2.360	0.00
63873KQ67	18169	1010	ACP NATXNY	10,000,000.00	03/05/2019 03/06 - At Maturity	9,999,344.44		2.360	03/06/2019	2.360	0.00
09659KQ78	18170	1010	ACP BNPFFNY	30,000,000.00	03/06/2019 03/07 - At Maturity	29,998,033.33		2.360	03/07/2019	2.360	0.00
09659KQ78	18171	1010	ACP BNPFFNY	50,000,000.00	03/06/2019 03/07 - At Maturity	49,996,722.22		2.360	03/07/2019	2.360	0.00
63873KQ75	18172	1010	ACP NATXNY	50,000,000.00	03/06/2019 03/07 - At Maturity	49,996,722.22		2.360	03/07/2019	2.360	0.00
63873KQ75	18173	1010	ACP NATXNY	50,000,000.00	03/06/2019 03/07 - At Maturity	49,996,722.22		2.360	03/07/2019	2.360	0.00
09659KQ86	18174	1010	ACP BNPFFNY	30,000,000.00	03/07/2019 03/08 - At Maturity	29,998,033.33		2.360	03/08/2019	2.360	0.00
09659KQ86	18175	1010	ACP BNPFFNY	50,000,000.00	03/07/2019 03/08 - At Maturity	49,996,722.22		2.360	03/08/2019	2.360	0.00
63873KQ83	18176	1010	ACP NATXNY	50,000,000.00	03/07/2019 03/08 - At Maturity	49,996,722.22		2.360	03/08/2019	2.360	0.00
63873KQ83	18177	1010	ACP NATXNY	50,000,000.00	03/07/2019 03/08 - At Maturity	49,996,722.22		2.360	03/08/2019	2.360	0.00
00851BCG8	18181	1010	NCB AGRBNK	20,000,000.00	03/08/2019 07/08 - At Maturity	20,000,000.00		2.700	07/08/2019	2.700	20,000,000.00
05971XMD0	18179	1010	NCB BESTNY	20,000,000.00	03/08/2019 06/07 - At Maturity	20,000,000.00		2.570	06/07/2019	2.570	20,000,000.00
22533UQB2	18186	1010	ACP CACPNY	30,000,000.00	03/08/2019 03/11 - At Maturity	29,994,100.00		2.360	03/11/2019	2.360	0.00
63873KQB6	18184	1010	ACP NATXNY	50,000,000.00	03/08/2019 03/11 - At Maturity	49,990,166.67		2.360	03/11/2019	2.360	0.00
63873KQB6	18185	1010	ACP NATXNY	50,000,000.00	03/08/2019 03/11 - At Maturity	49,990,166.67		2.360	03/11/2019	2.360	0.00
912796RZ4	18178	1010	ATD T	10,000,000.00	03/08/2019 07/11 - At Maturity	9,917,361.11		2.380	07/11/2019	2.433	9,933,227.78
912796RW1	18180	1010	ATD T	10,000,000.00	03/08/2019 07/05 - At Maturity	9,920,997.22		2.390	07/05/2019	2.442	9,936,930.55
912796RU5	18182	1010	ATD T	10,000,000.00	03/08/2019 06/13 - At Maturity	9,935,602.78		2.390	06/13/2019	2.439	9,951,536.11
912796RS0	18183	1010	ATD T	10,000,000.00	03/08/2019 06/06 - At Maturity	9,940,000.00		2.400	06/06/2019	2.448	9,956,000.00
22533UQC0	18190	1010	ACP CACPNY	20,000,000.00	03/11/2019 03/12 - At Maturity	19,998,688.89		2.360	03/12/2019	2.360	0.00
63873KQC4	18187	1010	ACP NATXNY	50,000,000.00	03/11/2019 03/12 - At Maturity	49,996,722.22		2.360	03/12/2019	2.360	0.00
63873KQC4	18188	1010	ACP NATXNY	50,000,000.00	03/11/2019 03/12 - At Maturity	49,996,722.22		2.360	03/12/2019	2.360	0.00
63873KQC4	18189	1010	ACP NATXNY	10,000,000.00	03/11/2019 03/12 - At Maturity	9,999,344.44		2.360	03/12/2019	2.360	0.00
09659KQD5	18192	1010	ACP BNPFFNY	50,000,000.00	03/12/2019 03/13 - At Maturity	49,996,722.22		2.360	03/13/2019	2.360	0.00
09659KQD5	18193	1010	ACP BNPFFNY	50,000,000.00	03/12/2019 03/13 - At Maturity	49,996,722.22		2.360	03/13/2019	2.360	0.00

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General Fund
Purchases Report
March 1, 2019 - March 31, 2019

CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
General Fund													
63873KQD2	18191	1010	ACP	NATXNY	30,000,000.00	03/12/2019	03/13 - At Maturity	29,998,033.33		2.360	03/13/2019	2.360	0.00
22533UQE6	18194	1010	ACP	CACPNY	30,000,000.00	03/13/2019	03/14 - At Maturity	29,998,033.33		2.360	03/14/2019	2.360	0.00
63873KQE0	18195	1010	ACP	NATXNY	50,000,000.00	03/13/2019	03/14 - At Maturity	49,996,722.22		2.360	03/14/2019	2.360	0.00
63873KQE0	18196	1010	ACP	NATXNY	50,000,000.00	03/13/2019	03/14 - At Maturity	49,996,722.22		2.360	03/14/2019	2.360	0.00
63873KQF7	18200	1010	ACP	NATXNY	50,000,000.00	03/14/2019	03/15 - At Maturity	49,996,722.22		2.360	03/15/2019	2.360	0.00
63873KQF7	18201	1010	ACP	NATXNY	50,000,000.00	03/14/2019	03/15 - At Maturity	49,996,722.22		2.360	03/15/2019	2.360	0.00
912796SF7	18197	1010	ATD	T	10,000,000.00	03/14/2019	08/29 - At Maturity	9,886,600.00		2.430	08/29/2019	2.492	9,898,750.00
912796SB6	18198	1010	ATD	T	10,000,000.00	03/14/2019	08/01 - At Maturity	9,906,472.22		2.405	08/01/2019	2.461	9,918,497.22
912796SC4	18199	1010	ATD	T	10,000,000.00	03/14/2019	08/08 - At Maturity	9,901,387.50		2.415	08/08/2019	2.473	9,913,462.50
63873KQJ9	18202	1010	ACP	NATXNY	50,000,000.00	03/15/2019	03/18 - At Maturity	49,990,166.67		2.360	03/18/2019	2.360	0.00
63873KQJ9	18203	1010	ACP	NATXNY	50,000,000.00	03/15/2019	03/18 - At Maturity	49,990,166.67		2.360	03/18/2019	2.360	0.00
63873KQK6	18204	1010	ACP	NATXNY	50,000,000.00	03/18/2019	03/19 - At Maturity	49,996,708.33		2.370	03/19/2019	2.370	0.00
63873KQK6	18205	1010	ACP	NATXNY	50,000,000.00	03/18/2019	03/19 - At Maturity	49,996,708.33		2.370	03/19/2019	2.370	0.00
63873KQL4	18206	1010	ACP	NATXNY	50,000,000.00	03/19/2019	03/20 - At Maturity	49,996,722.22		2.360	03/20/2019	2.360	0.00
63873KQL4	18207	1010	ACP	NATXNY	50,000,000.00	03/19/2019	03/20 - At Maturity	49,996,722.22		2.360	03/20/2019	2.360	0.00
63873KQM2	18208	1010	ACP	NATXNY	50,000,000.00	03/20/2019	03/21 - At Maturity	49,996,722.22		2.360	03/21/2019	2.360	0.00
63873KQM2	18209	1010	ACP	NATXNY	50,000,000.00	03/20/2019	03/21 - At Maturity	49,996,722.22		2.360	03/21/2019	2.360	0.00
63873KQM2	18210	1010	ACP	NATXNY	5,000,000.00	03/20/2019	03/21 - At Maturity	4,999,672.22		2.360	03/21/2019	2.360	0.00
09659KQN3	18211	1010	ACP	BNPFNY	50,000,000.00	03/21/2019	03/22 - At Maturity	49,996,722.22		2.360	03/22/2019	2.360	0.00
09659KQN3	18212	1010	ACP	BNPFNY	50,000,000.00	03/21/2019	03/22 - At Maturity	49,996,722.22		2.360	03/22/2019	2.360	0.00
63873KQN0	18213	1010	ACP	NATXNY	25,000,000.00	03/21/2019	03/22 - At Maturity	24,998,361.11		2.360	03/22/2019	2.360	0.00
09659KQR4	18216	1010	ACP	BNPFNY	50,000,000.00	03/22/2019	03/25 - At Maturity	49,990,166.67		2.360	03/25/2019	2.360	0.00
09659KQR4	18217	1010	ACP	BNPFNY	50,000,000.00	03/22/2019	03/25 - At Maturity	49,990,166.67		2.360	03/25/2019	2.360	0.00
63873KQR1	18215	1010	ACP	NATXNY	25,000,000.00	03/22/2019	03/25 - At Maturity	24,995,083.33		2.360	03/25/2019	2.360	0.00
86564FUY7	18214	1010	NCB	SUMTNY	20,000,000.00	03/22/2019	07/22 - At Maturity	20,000,000.00		2.585	07/22/2019	2.585	20,000,000.00
09659KQS2	18218	1010	ACP	BNPFNY	50,000,000.00	03/25/2019	03/26 - At Maturity	49,996,722.22		2.360	03/26/2019	2.360	0.00
09659KQS2	18219	1010	ACP	BNPFNY	50,000,000.00	03/25/2019	03/26 - At Maturity	49,996,722.22		2.360	03/26/2019	2.360	0.00
63873KQS9	18220	1010	ACP	NATXNY	50,000,000.00	03/25/2019	03/26 - At Maturity	49,996,722.22		2.360	03/26/2019	2.360	0.00
09659KQT0	18223	1010	ACP	BNPFNY	50,000,000.00	03/26/2019	03/27 - At Maturity	49,996,722.22		2.360	03/27/2019	2.360	0.00
09659KQT0	18224	1010	ACP	BNPFNY	50,000,000.00	03/26/2019	03/27 - At Maturity	49,996,722.22		2.360	03/27/2019	2.360	0.00
53947CBD9	18221	1010	NCB	LBCMNY	20,000,000.00	03/26/2019	08/07 - At Maturity	20,000,000.00		2.610	08/07/2019	2.610	20,000,000.00
53947CBC1	18222	1010	NCB	LBCMNY	20,000,000.00	03/26/2019	07/26 - At Maturity	20,000,000.00		2.600	07/26/2019	2.600	20,000,000.00
63873KQT7	18225	1010	ACP	NATXNY	20,000,000.00	03/26/2019	03/27 - At Maturity	19,998,688.89		2.360	03/27/2019	2.360	0.00
09659KQU7	18227	1010	ACP	BNPFNY	50,000,000.00	03/27/2019	03/28 - At Maturity	49,996,722.22		2.360	03/28/2019	2.360	0.00
09659KQU7	18228	1010	ACP	BNPFNY	50,000,000.00	03/27/2019	03/28 - At Maturity	49,996,722.22		2.360	03/28/2019	2.360	0.00
63873KQU4	18-226	1010	ACP	NATXNY	25,000,000.00	03/27/2019	03/28 - At Maturity	24,998,361.11		2.360	03/28/2019	2.360	0.00

General Fund
Purchases Report
March 1, 2019 - March 31, 2019

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CUSIP	Investment #	Fund	Sec. Type	Issuer	Original Par Value	Purchase Date	Payment Periods	Principal Purchased	Accrued Interest at Purchase	Rate at Purchase	Maturity Date	YTM	Ending Book Value
General Fund													
09659KQV5	18229	1010	ACP	BNPFNY	50,000,000.00	03/28/2019	03/29 - At Maturity	49,996,722.22		2.360	03/29/2019	2.360	0.00
09659KQV5	18230	1010	ACP	BNPFNY	50,000,000.00	03/28/2019	03/29 - At Maturity	49,996,722.22		2.360	03/29/2019	2.360	0.00
63873KQV2	18231	1010	ACP	NATXNY	50,000,000.00	03/28/2019	03/29 - At Maturity	49,996,722.22		2.360	03/29/2019	2.360	0.00
63873KQV2	18232	1010	ACP	NATXNY	10,000,000.00	03/28/2019	03/29 - At Maturity	9,999,344.44		2.360	03/29/2019	2.360	0.00
09659KR10	18233	1010	ACP	BNPFNY	50,000,000.00	03/29/2019	04/01 - At Maturity	49,990,166.67		2.360	04/01/2019	2.360	50,000,000.00
09659KR10	18234	1010	ACP	BNPFNY	50,000,000.00	03/29/2019	04/01 - At Maturity	49,990,166.67		2.360	04/01/2019	2.360	50,000,000.00
09659CR18	18235	1010	ACP	BNPPNY	10,000,000.00	03/29/2019	04/01 - At Maturity	9,998,033.33		2.360	04/01/2019	2.360	10,000,000.00
Subtotal					2,805,000,000.00			2,804,096,083.52	0.00				289,464,734.16
Total Purchases					2,805,000,000.00			2,804,096,083.52	0.00				289,464,734.16



General Fund Summary by Issuer March 31, 2019

Issuer	Number of Investments	Par Value	Remaining Cost	% of Portfolio	Average YTM 365	Average Days to Maturity
Apple Inc.	2	20,000,000.00	20,016,660.00	1.19	2.181	364
Ackerman School District	1	6,599,219.45	6,599,219.45	0.39	2.800	6,577
Agricultural Bk China NY	1	20,000,000.00	20,000,000.00	1.19	2.737	98
BANCO ESTADO CHILE/NY	1	20,000,000.00	20,000,000.00	1.19	2.606	67
BNP PARUBAS FIRTUS SA/NY	2	100,000,000.00	99,980,333.34	5.96	2.393	0
BNP PARIBAS NY	1	10,000,000.00	9,998,033.33	0.60	2.393	0
FEDERAL FARM CREDIT BANK	24	240,000,000.00	239,868,000.00	14.29	1.920	819
FEDERAL HOME LOAN BANK	19	190,000,000.00	189,886,100.00	11.31	1.842	850
FED HOME LOAN MORT CORP	31	320,000,000.00	319,925,000.00	19.06	2.033	999
FEDERAL NATIONAL MORT. ASSOC.	20	205,000,000.00	205,018,000.00	12.21	1.668	707
Five Star Bank	1	5,000,000.00	5,000,000.00	0.30	2.433	144
IBM CORP	1	10,000,000.00	9,784,600.00	0.58	2.095	410
INT'L BANK RECON & DEVELOP	1	10,000,000.00	9,934,700.00	0.59	2.595	116
Johnson & Johnson	1	10,000,000.00	9,778,500.00	0.58	2.400	700
Lloyds Bank Corp Mkts NY	2	40,000,000.00	40,000,000.00	2.38	2.641	122
Middle Fork JPA	1	74,171,664.35	74,171,664.35	4.42	3.519	6,210
Mid Placer Public School Trans	3	1,353,417.34	1,353,417.34	0.08	2.948	3,412
mPower Folsom	5	2,935,430.38	2,935,430.38	0.17	1.267	6,465
mPower Placer	8	10,160,855.91	10,208,189.91	0.61	3.716	6,478
Microsoft Corp	1	10,000,000.00	10,013,900.00	0.60	1.821	317
MUFG BANK LTD/NY	1	20,000,000.00	19,819,333.33	1.18	2.773	39
NATEXIS BANQ POPULAIR NY	1	20,000,000.00	19,821,500.00	1.18	2.762	39
Newcastle Elementary SD	1	2,901,933.32	2,901,933.32	0.17	2.800	10,317

General Fund
Summary by Issuer
March 31, 2019

Issuer	Number of Investments	Par Value	Remaining Cost	% of Portfolio	Average YTM 365	Average Days to Maturity
Public Finance Authority	1	4,624,952.42	4,717,451.47	0.28	4.894	7,123
Pioneer Community Energy	5	24,643,152.66	24,643,152.66	1.47	3.134	3,837
PLACER COUNTY CASH	2	13,333,236.85	12,815,243.22	0.76	0.000	1
River City Bank	1	6,000,000.00	6,000,000.00	0.36	1.521	16
City of Rocklin Successor Agcy	1	146,174.80	146,174.80	0.01	1.752	30
SUMITOMO MITSUI TRUST NY	1	25,000,000.00	25,000,000.00	1.49	2.748	46
Sumitomo Mitsui Trust	1	20,000,000.00	20,000,000.00	1.19	2.621	112
Sierra Valley Energy Authority	1	354,769.06	354,769.06	0.02	3.042	6,729
U.S TREASURY N/B	17	170,000,000.00	168,621,798.46	10.04	2.379	184
TORONTO DOMINION BANK NY	1	25,000,000.00	25,000,000.00	1.49	2.770	98
TOYOTA MOTOR CREDIT	2	20,000,000.00	19,937,500.00	1.19	2.767	1,142
Wells Fargo & Co	1	10,000,000.00	10,000,000.00	0.60	2.431	543
WELLS FARGO BANK	1	14,647,025.73	14,647,025.73	0.87	0.183	1
Total and Average	164	1,681,871,832.27	1,678,897,630.15	100.00	2.173	997

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following information has been provided by DTC for use in securities offering documents, and none of the District, the Corporation or the Underwriter takes any responsibility for the accuracy or completeness thereof.

1. The Depository Trust Company (“DTC”), will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 Certificate will be issued for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, and will be deposited with DTC.

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 on such website is not incorporated into this Official Statement by reference or otherwise.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“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, however, are 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 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Certificates with a particular stated Principal Payment Date are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments of principal, premium, if any, interest and other payments evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, interest and other payments evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, and 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 depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificates 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, 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 the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT, THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO PARTICIPANTS, OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR ANY PREMIUM EVIDENCED BY THE CERTIFICATES PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY PREPAYMENT OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT, THE CORPORATION AND THE TRUSTEE ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE CERTIFICATES OR ANY ERROR OR DELAY RELATING THERETO.

THE FOREGOING DESCRIPTION OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE CERTIFICATES, PAYMENT OF PRINCIPAL, INTEREST AND OTHER PAYMENTS EVIDENCED BY THE CERTIFICATES TO PARTICIPANTS OR BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN SUCH CERTIFICATES AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE PARTICIPANTS AND THE BENEFICIAL OWNERS IS BASED ON INFORMATION PROVIDED BY DTC. ACCORDINGLY, THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

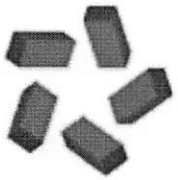
Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com

Address:
200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN



BAM

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

APPENDIX H

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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**MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY**

ISSUER: ISSUER_NAME, STATE_NAME

Policy No: _____

MEMBER: MEMBER_COMPANY,
STATE_NAME

Effective Date: _____

BONDS: \$ _____ in aggregate
principal amount of _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

Maximum Policy Limit: \$ _____

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 under the Security Documents, 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.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. 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 this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) 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 and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. **"Business Day"** means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. **"Debt Service Reserve Agreement"** means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. **"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 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 person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **"Policy Limit"** means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the "Reserve Account Requirement"), or the

portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **"Security Documents"** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to 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 is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

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

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

EXHIBIT A

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

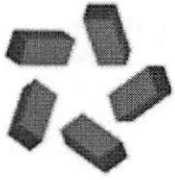
BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$ _____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____

Name: _____

Title: _____



BAM

CALIFORNIA

ENDORSEMENT TO

**MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY**

NO. @@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