PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2014

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: Moody's: "Aa2"
Standard & Poor's: "AA"
(See "MISCELLANEOUS – Ratings" herein)

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

$18,000,000*
RINCON VALLEY UNION SCHOOL DISTRICT
(Sonoma County, California)
Election of 2014 General Obligation Bonds, Series A

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

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Rincon Valley Union School District (Sonoma County, California) Election of 2014 General Obligation, Series A (the "Bonds") were authorized at an election of the registered voters of the Rincon Valley Union School District (the "District") held on June 3, 2014, at which the requisite 55% or more of the persons voting on a proposition submitted thereto voted to authorize the issuance and sale of $35,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to repair, upgrade, acquire, construct, and equip certain District property and facilities, and to pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Sonoma County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds ("Beneficial Owners") will not receive certificates representing their interest in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015.

Payments of principal of principal and interest on the Bonds will be made by The Bank of New York Mellon Trust, N.A., as the designated Paying Agent, Bond Registrar and Transfer Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedule*
(See inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of Cede & Co., as nominee of The Depository Trust Company, in New York, New York, on or about October 23, 2014.

PiperJaffray®

Dated: October __, 2014

* Preliminary, subject to change

MATURITY SCHEDULE

$18,000,000*
RINCON VALLEY UNION SCHOOL DISTRICT
(Sonoma County, California)
Election of 2014 General Obligation Bonds, Series A

Base CUSIP(1): 76678P

$______________ Serial Bonds

Maturity (August 1)*	Principal Amount*	Interest Rate	Yield	CUSIP(1)

$_____ – ____% Term Bonds due August 1, 20___ - Yield: ____%; CUSIP(1): ___

* Preliminary, subject to change.
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. 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 issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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 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.

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

The District maintains a website. However, the information presented on the District’s website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

(THIS PAGE INTENTIONALLY LEFT BLANK)

RINCON VALLEY UNION SCHOOL DISTRICT

Board of Education

Cynthia Evers, *President*
Carol Lynn Wood, *Clerk*
Katie Barr, *Member*
Jeff Gospe, *Member*
Chris Rafanelli, *Member*

District Administration

Casey D'Angelo, Ed.D., *Superintendent*
Joseph Pandolfo, Ed.D., *Deputy Superintendent*
Terry Metzger, Ed.D., *Assistant Superintendent, Curriculum*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

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

Financial Advisor

California Financial Services
Santa Rosa, California

Paying Agent, Registrar and Transfer Agent

The Bank of New York Mellon Trust, N.A.
San Francisco, California

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

Page

TABLE OF CONTENTS (cont'd)

$18,000,000*
RINCON VALLEY UNION SCHOOL DISTRICT
(Sonoma County, California)
Election of 2014 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of the Rincon Valley Union School District (Sonoma County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds").

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

The District

The Rincon Valley Union School District (the "District"), located in Sonoma County (the "County"), California, encompasses a total area of approximately 50 square miles, including the eastern and northeastern areas of the City of Santa Rosa, California and certain unincorporated areas in the County. The District operates three traditional elementary schools serving grades kindergarten through sixth grade, five elementary conversion charter schools serving grades kindergarten through sixth grade, and one affiliated charter middle school with two campuses serving seventh and eighth grades. The District also operates three special education programs for elementary students with mild to severe needs as the lead agency for the Redwood Consortium for Student Services ("RCSS"), a special educational consortium comprised of the District and eight neighboring school districts. The District's total enrollment for fiscal year 2013-14 was approximately 3,495 students, which number includes affiliated charter school students attending school within the District's boundaries. The District has a 2014-15 total assessed valuation of $5,612,629,469, and it serves a population of approximately 41,500 residents.

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

See "TAX BASE FOR REPAYMENT OF BONDS" for more information regarding the District's assessed valuation, and "RINCON VALLEY UNION SCHOOL DISTRICT" and "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District generally.

Purpose of the Bonds

The Bonds are being issued to repair, upgrade, acquire, construct, and equip certain District property and facilities, and to pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS" and in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

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

Redemption.[*] The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20__ or on any date thereafter, as a whole or in part. The Bonds are further subject to mandatory sinking fund redemption as further described herein. See also "THE BONDS– Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1,

[*] Preliminary, subject to change.

2015. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust, N.A., as the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities DTC on or about October 23, 2014.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR PAYMENT OF BONDS", "RINCON VALLEY UNION SCHOOL DISTRICT" and "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION" herein.

Continuing Disclosure

The District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Forward Looking Statements

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

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 THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. California Financial Services, Santa Rosa, California is acting as Financial Advisor to the District with respect to the Bonds.

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from the Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California 95405, telephone: (707) 542-7375. The District may impose a charge for copying, mailing and handling.

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 herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

Terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Education of the District on August 12, 2014 (the "Resolution"). The District received authorization at an election held on June 3, 2014 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $35,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the first issuance under the 2014 Authorization.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund (defined herein), which is segregated and maintained by the County and which is available for the payment of principal of and interest on the Bonds when due, and for no other purpose. Although the County is obligated to levy *ad valorem* taxes for the payment of the Bonds, and will maintain the Debt Service Fund, the Bonds are not a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR PAYMENT OF BONDS – Assessed Valuations" herein.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2015. Interest on Bonds shall be computed on the basis of a 360-day year of 12, 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2015, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payment. Payment of interest shall be made on any Bond Payment Date to the person appearing on the registration books of the Paying Agent as the registered Owner of such Bond thereof as of the close of business as of the close of business of the 15th day of the month immediately preceding any Bond Payment Date (a "Record Date"), such interest to be paid by wire transfer or check mailed to such Owner on the Bond Payment Date, at the Owner's address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender of the applicable Bond at the principal office of the Paying Agent. The principal, interest, and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions are made):

Year Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Total Annual Debt Service
Total			

(1) Interest payments on Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2015.

See "RINCON VALLEY UNION SCHOOL DISTRICT – District Debt Structure" herein for a complete debt service schedule of all of the District's outstanding general obligation bond debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to repair, upgrade, acquire, construct, and equip certain District property and facilities, and to pay the costs of issuing the Bonds.

Building Fund. The proceeds of the sale of the Bonds, net costs of issuance, shall be deposited in the fund held by the County and known as the "Rincon Valley Union School District, Election of 2014 General Obligation Bonds, Series A Building Fund" (the "Building Fund") and shall be applied only for the purposes for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund shall be retained therein.

Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the fund held by the County and known as the "Rincon Valley Union School District, Election of 2014 General Obligation Bonds, Series A Debt Service Fund" (the "Debt Service Fund."). Any accrued interest or premium received by the County on the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund shall be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. In accordance with the Resolution and subject to federal tax restrictions, moneys in the Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 ("Section 53601") of the Government Code of the State of California; (ii) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the California State Treasurer, (v) the Investment Pool of the County (defined herein), and (vi) State and Local Government Series Securities.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested as part of the County Treasury Pool. See "APPENDIX E – SONOMA COUNTY INVESTMENT POOL" herein.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Redemption.* The Term Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amount of such Term Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount

(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed.

* Preliminary, subject to change.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent, shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in a principal amount of $5,000, or any integral multiple thereof.

Notice of Redemption. When redemption is authorized or required pursuant to the Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the portion of the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; and (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000 or Fax (212) 855-7320.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number, if any, identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

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

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

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

Book-Entry Only System

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are *on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, registration, transfer, exchange and replacement of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated corporate trust office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least $1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

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

Defeasance

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

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

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

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

"Government Obligations" shall mean direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Standard & Poor's or by Moody's Investors Service.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium

Total Sources

Uses of Funds

Costs of Issuance[1]
Debt Service Fund
Building Fund

Total Uses

[1] Reflects the costs of issuance, including but not limited to the Underwriter's discount, demographics and filing fees, printing costs, legal fees, financial advisory fees, and the costs and fees of the Paying Agent to be paid from proceeds of the Bonds. See "MISCELLANEOUS – Underwriting" herein.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exceptions described in (b) and (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to any claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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

Beginning in fiscal year 1981-82, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, 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 taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

State-Assessed Utility Property

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

The State electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

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

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance ("ADA") of the school district from the preceding fiscal year.

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

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "—Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The 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 XIIIA of the State 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.

Proposition 26

On November 4, 2008, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State legislature and approval by the Governor. See "-Article XIIIA of the California Constitution" above.

Jarvis vs. Connell

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

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades. See also "DISTRICT FINANCIAL INFORMATION – State Dissolution of Redevelopment Agencies" herein.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed each taxable year beginning in the taxable year commencing on January 1, 2012 and ending in the taxable year ending on December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $608,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, and 98 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. The nature and impact of these measures cannot be anticipated by the District.

State Budget

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

2014-15 Budget. On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget.

The 2014-15 Budget adopts revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects revised total State general fund revenues of $102.2 billion, and total State general fund expenditures of $100.7 billion. The 2014-15 Budget now projects a fiscal year 2013-14 general fund surplus of $2.9 billion. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of $109.4 billion and total expenditures of $108 billion. The 2014-15 Budget also projects a fiscal year 2014-15 State general fund surplus of approximately $2.1 billion. This amount is a combination of $449 million in the State's traditional general fund reserve, and an authorized deposit of $1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget includes total funding of $76.6 billion (comprised of $45.3 billion from the State general fund and $31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at $60.9 billion, an increase of $5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with funding increases of $4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides $10 billion of additional funding for K-14 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow by more than $12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than $1,900 per student.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *State Pensions* – The 2014-15 Budget includes a plan to reduce the $74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in $276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary. For additional information, see "RINCON VALLEY UNION SCHOOL DISTRICT – Retirement Programs" herein.

- *Local Control Funding Formula* – An increase of $4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the remaining funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

- *K-12 Deferrals* – The 2014-15 Budget provides $4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than $900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.

- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- *K-12 Mandates* – An increase of $400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.

- *K-12 High- Speed Internet Access* – An increase of $26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.

- *Career Technical Education Pathways Program* – An increase of $250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

- *Potential Cap on School District Reserves* – Commencing with budgets adopted by a K-12 school district for the 2015–16 fiscal year, SB 858, a trailer bill on K-12 issues passed in connection with the 2014-15 Budget, requires a school district that proposes to adopt or revise a budget that results in a combined assigned or unassigned ending fund balance exceeding that school district's respective minimum reserve for economic uncertainties amount, as set forth in the State Board of Education's annually-issued criteria and standards for reviewing school district interim reports, to provide at a public hearing, among other things, a statement of reasons that substantiates the need for the balance, and requires the respective county superintendent of schools, when making the required determinations, to also determine whether a school district's adopted or revised budget includes such a balance. Subject to the passage of California Proposition 44 (the "Rainy Day Budget Stabilization Fund Act") currently on the November 4, 2014 statewide ballot, SB 858 provides that, in any fiscal year immediately after which a transfer is made by the State into the Public School System Stabilization Account, a new reserve fund for Proposition 98 that would be created by the Rainy Day Budget Stabilization Fund Act, a school district's adopted or revised budget shall be prohibited from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times that school district's respective annual minimum recommended reserve for economic uncertainties amount, as established by the State Board of Education. Subject to the passage of the Rainy Day Budget Stabilization Fund Act, SB 858 further authorizes the respective county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period, if a school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

TAX BASE FOR PAYMENT OF BONDS

Ad Valorem **Property Taxation**

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum $10 cost on the second installment, plus any additional amount determined by the County treasurer-tax collector. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

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

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

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total assessed valuation for fiscal year 2014-15 of $5,612,629,469. The following table represents a 23-year history of assessed valuations in the District:

ASSESSED VALUATIONS[1]
Rincon Valley Union School District
Fiscal Years 1992-93 through 2014-15

	Local Secured	Utility	Unsecured	Total
1992-93	$1,841,335,257	$180,000	$44,482,754	$1,885,998,011
1993-94	1,940,250,799	180,000	47,659,652	1,988,090,451
1994-95	2,039,183,933	180,000	46,850,414	2,086,214,347
1995-96	2,103,758,510	216,000	41,102,895	2,145,077,405
1996-97	2,157,100,333	216,000	43,479,698	2,200,796,031
1997-98	2,203,165,424	216,000	40,817,114	2,244,198,538
1998-99	2,328,517,809	216,000	44,520,931	2,373,254,740
1998-99	2,328,517,809	216,000	44,520,931	2,373,254,740
1999-00	2,528,251,149	216,000	41,789,020	2,570,256,169
2000-01	2,770,373,277	216,000	45,781,566	2,816,370,843
2001-02	3,208,332,692	216,000	50,892,245	3,259,440,937
2002-03	3,432,381,174	216,000	55,866,400	3,488,463,574
2003-04	3,694,926,456	216,000	54,448,909	3,749,591,365
2004-05	4,001,165,608	216,000	57,311,628	4,058,693,236
2005-06	4,386,158,242	480,000	60,762,861	4,447,401,103
2006-07	4,866,054,437	480,000	64,718,219	4,931,252,656
2007-08	5,189,280,275	480,000	70,916,680	5,260,676,955
2008-09	5,271,986,806	480,000	75,407,749	5,347,874,555
2009-10	5,140,345,950	480,000	78,402,031	5,219,227,981
2010-11	4,977,497,767	360,000	66,588,943	5,044,446,710
2011-12	4,856,486,853	--	62,502,303	4,918,989,156
2012-13	4,863,695,482	--	58,648,630	4,922,344,112
2013-14	4,993,881,755	--	56,648,906	5,050,530,661
2014-15	5,553,920,171	--	58,709,298	5,612,629,469

[1] Assessed Valuations exclude Aircraft Values from 1992-93 through 2001-02; Assessed Valuations include Aircraft Values from 2002-03 through 2013-14.
Source: California Municipal Statistics, Inc.

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

Assessed Valuation by Land Use. The following table is an analysis of the District's fiscal year 2013-14 secured assessed valuation by land use:

ASSESSED VALUATION AND PARCELS BY LAND USE
Rincon Valley Union School District
Fiscal Year 2013-14

Non-Residential:	2013-14 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$138,279,983	2.77%	417	2.80%
Commercial	179,318,834	3.59	173	1.16
Vacant Commercial	9,013,802	0.18	13	0.09
Industrial	30,801,508	0.62	9	0.06
Recreational	9,163,870	0.18	18	0.12
Government/Social/Institutional	36,432,859	0.73	352	2.36
Miscellaneous	1,632,778	0.03	49	0.33
Subtotal Non-Residential	$404,643,634	8.10%	1,031	6.91%
Residential:				
Single Family Residence	$3,857,772,172	77.25%	11,170	74.89%
Condominium/Townhouse	256,954,527	5.15	1,315	8.82
Mobile Home	782,707	0.02	2	0.01
Mobile Home Park	8,431,341	0.17	5	0.03
Hotel/Motel	13,947,305	0.28	5	0.03
2-4 Residential Units	166,443,237	3.33	474	3.18
5+ Residential Units/Apartments	198,001,337	3.96	82	0.55
Miscellaneous Residential	51,797,591	1.04	221	1.48
Vacant Residential	35,107,904	0.70	611	4.10
Subtotal Residential	$4,589,238,121	91.90%	13,885	93.09%
Total	$4,993,881,755	100.000%	14,916	100.00%

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

Assessed Valuation by Jurisdiction. The following table is an analysis of the District's fiscal year 2013-14 secured assessed valuation by jurisdiction:

ASSESSED VALUATION AND PARCELS BY JURISDICTION[1]
Rincon Valley Union School District
Fiscal Year 2013-14

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Santa Rosa	$4,275,028,155	84.65%	$17,977,494,633	23.78%
Unincorporated Sonoma County	775,502,506	15.35	$28,338,653,459	2.74%
Total District	$5,050,530,661	100.00%		
Total Sonoma County	$5,050,530,661	100.00%	$67,392,824,201	7.49%

[1] Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table is an analysis of the District's fiscal year 2013-14 assessed valuation per parcel of single family homes:

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Rincon Valley Union School District
Fiscal Year 2013-14

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,170	$3,857,772,172	$345,369	$306,959

2013-14 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	50	0.448%	0.448%	$1,982,464	0.051%	0.051%
50,000 - 99,999	1,247	11.164	11.611	94,112,808	2.440	2.491
100,000 - 149,999	705	6.312	17.923	87,828,576	2.277	4.768
150,000 - 199,999	643	5.756	23.679	112,659,325	2.920	7.688
200,000 - 249,999	1,120	10.027	33.706	253,584,905	6.573	14.261
250,000 - 299,999	1,643	14.709	48.415	449,398,449	11.649	25.910
300,000 - 349,999	1,405	12.578	60.994	456,917,037	11.844	37.755
350,000 - 399,999	1,166	10.439	71.432	434,199,334	11.255	49.010
400,000 - 449,999	731	6.544	77.977	308,586,984	7.999	57.009
450,000 - 499,999	481	4.306	82.283	227,744,628	5.904	62.912
500,000 - 549,999	415	3.715	85.998	217,524,876	5.639	68.551
550,000 - 599,999	375	3.357	89.355	215,165,322	5.577	74.128
600,000 - 649,999	237	2.122	91.477	147,787,006	3.831	77.959
650,000 - 699,999	229	2.050	93.527	154,426,037	4.003	81.962
700,000 - 749,999	160	1.432	94.960	115,685,454	2.999	84.961
750,000 - 799,999	106	0.949	95.909	82,146,272	2.129	87.090
800,000 - 849,999	100	0.895	96.804	82,436,082	2.137	89.227
850,000 -899,999	85	0.761	97.565	74,147,537	1.922	91.149
900,000 - 949,999	49	0.439	98.004	45,161,465	1.171	92.320
950,000 - 999,999	44	0.394	98.397	42,896,661	1.112	93.432
1,000,000 and greater	179	1.603	100.000	253,380,950	6.568	100.000
Total	11,170	100.000%		$3,857,772,172	100.000%	

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

Appeals and Adjustments of Assessed Valuations

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

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

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

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County has implemented 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, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County 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 joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied, as a percentage of assessed valuation, by all taxing entities in a typical tax rate area (TRA) within the District from fiscal year 2010-11 through 2013-14.

SUMMARY OF *AD VALOREM* TAX RATES (TRA 4-009)[(1)]
Rincon Valley Union School District
Fiscal Years 2010-11 through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Warm Springs Dam	.0070	.0070	.0070	.0070	.0070
Rincon Valley Union School District	.0220	.0220	.0220	.0235	.0525
Santa Rosa High School District	.0490	.0579	.0579	.0550	.0515
Sonoma County Joint Community College District	.0210	.0210	.0210	.0188	.0180
TOTAL	1.0990%	1.1079%	1.1079%	1.1043%	1.1290%

(1) 2014-15 assessed valuation of TRA 4-009 is $3,911,864,802, which is 69.7% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District based on their 2013-14 secured assessed valuations:

LARGEST LOCAL SECURED TAXPAYERS
Rincon Valley Union School District
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total[1]
1.	Behringer Harvard Santa Rosa LP	Apartments	$41,019,699	0.82%
2.	Montgomery Village LP	Shopping Center	38,302,591	0.77
3.	H.N. and Frances C. Berger Foundation	Apartments	28,586,805	0.57
4.	TFT Shadow Creek LP	Apartments	22,943,562	0.46
5.	OSL Santa Rosa Projects LLC	Residential Properties	20,332,573	0.41
6.	Steven Pride, Trust	Winery/Vineyards	17,445,327	0.35
7.	First Class Oak Creek Apartments LP	Apartments	15,334,969	0.31
8.	Bavarian Lion Co. of California	Hotel	15,142,021	0.30
9.	Avalon at Santa Rosa LLC	Assisted Care Facility	14,416,651	0.29
10.	William P. Gallaher & Gallaher Trust	Residential Properties	13,211,411	0.26
11.	Corban Investments Ltd.	Shopping Center	13,176,928	0.26
12.	Streamside Realty Holdings LP	Residential Properties	9,398,500	0.19
13.	Henry Cornell	Residential Properties	9,214,599	0.18
14.	6600 Montecito Blvd. LLC	Apartments	8,361,040	0.17
15.	Santa Rosa Prospect LLC	Apartments	8,259,530	0.17
16.	Austin W. Hall, Trust	Supermarket	6,115,726	0.12
17.	Verle and Marene S. Sorgen	Residential Properties	5,978,438	0.12
18.	Heartland Santa Rosa LP	Apartments	5,693,536	0.11
19.	Green Valley Corporation	Commercial Land	5,659,760	0.11
20.	Skyhawk Village Corp.	Commercial	5,518,805	0.11
			$304,112,471	6.09%

[1] 2013-14 local secured assessed valuation: $4,993,881,755.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated July 24, 2014, effective as of August 1, 2014, for debt issued as of such effective date. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows 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 the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Rincon Valley Union School District

2013-14 Assessed Valuation: $5,050,530,661

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/14
Sonoma County Joint Community College District	7.421%	$12,598,632
Santa Rosa High School District	20.675	19,886,249
Rincon Valley Union School District	**100.000**	**22,409,814**[1]
City of Santa Rosa Wastewater Improvement District	23.743	410,754
City of Santa Rosa 1915 Act Bonds	22.969-100.000	3,902,734
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$59,208,183
Less: City of Santa Rosa Wastewater Improvement Districts		410,754
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$58,797,429
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Sonoma County General Fund Obligations	7.494%	$2,112,138
Sonoma County Pension Obligation Bonds	7.494	34,409,825
Sonoma County Office of Education Certificates of Participation	7.494	112,410
Sonoma County Joint Community College District General Fund Obligations	7.421	127,270
Santa Rosa High School District Certificates of Participation	20.675	1,245,612
Rincon Valley Union School District Certificates of Participation	**100.000**	**3,108,665**
City of Santa Rosa General Fund Obligations	23.780	5,895,062
City of Santa Rosa Pension Obligation Bonds	23.780	7,779,627
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$54,790,609
GROSS COMBINED TOTAL DEBT		$113,998,792[2]
NET COMBINED TOTAL DEBT		$113,588,038

Ratios to 2013-14 Assessed Valuation:

Direct Debt ($22,409,814)	**0.44%**
Combined Direct Debt ($25,518,479)	**0.51%**
Total Gross Direct and Overlapping Tax and Assessment Debt	1.17%
Total Net Direct and Overlapping Tax and Assessment Debt	1.16%
Gross Combined Total Debt	2.26%
Net Combined Total Debt	2.25%

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, establishes a new system for funding school districts, charter schools and county offices of education. Certain provisions of A.B. 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49).

The primary component of A.B. 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. For fiscal year 2013-14, State budgetary legislation has allocated $2.1 billion of funding to begin implementation of the LCFF. See "- State Budget Measure" herein.

For fiscal year 2013-14, the Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. In each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

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

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2014-15.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Rincon Valley Union School District
Fiscal Years 2013-14 through 2014-15

	Average Daily Attendance(1)				Enrollment	
Fiscal Year	TK-3	4-6	7-8	Total ADA	Total Enrollment(2)	% of EL/LI Enrollment(2)
2013-14	1,774.31	1,295.47	242.98	3,312.76	3,495	38.97%
2014-15	1,823.67	1,331.51	249.74	3,404.92	3,637	38.97

(1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. Includes TK-8, home and hospital, special education and community day school, but excludes independent charter school students. Fiscal year 2014-15 figures are projected.
(2) For fiscal year 2013-14, enrollment as of October report submitted to the California Basic Educational Data System (CBEDS). Fiscal year 2014-15 figures are projected. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Rincon Valley Union School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. For the 2014-15 fiscal year, the District is not expected to qualify as a basic aid district.

Accountability. The State Board of Education is required to promulgate regulations on or before January 31, 2014 regarding the expenditure of supplemental and concentration funding. These regulations will include a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education is required to develop and adopt a template LCAP on or before March 31, 2014 for use by school districts.

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

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

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the 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 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the Districts 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.

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

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

Parcel Tax. A parcel tax was initially approved by voters of the District on April 11, 2006 (the Measure B Parcel Tax" or the "Parcel Tax"). The Measure B Parcel Tax is a 12-year per parcel tax, initially set at $60 per parcel, with an annual $3 increase each year. The Measure B Parcel Tax expires on June 30, 2018.

The Parcel Tax is a "special tax" under the California Constitution and required the approval of 2/3 of the voters voting on the measure. Proceeds from the Parcel Tax may be spent only on certain instructional and operational expenses of the District. The Parcel Tax is a per-parcel special tax levied uniformly on all taxable property in the District. Property owners who are 65 years and older are eligible, upon application, for an exemption from the Parcel Tax.

The revenues produced for the District by the Parcel Tax in fiscal year 2012-13 were $979,025.35, which represented approximately 2.9% of general fund revenues in that year. Revenues produced for the District by the Parcel Tax in fiscal year 2013-14 were $1,012,951.88, which represented approximately 2.7% of general fund revenues in that year.

Foundation. The Rincon Valley Education Foundation (the "Foundation") is an independent 501(c)(3) nonprofit corporation, providing financial support to the District, which has been in existence for thirteen years. Under Governmental Accounting Standards Board ("GASB") rules, the Foundation is not a component unit of the District for financial reporting purposes. The District deposits the contributions made by the Foundation in to its General Fund, and uses contributions to fund music programs, physical education, and science facilitators. The following table shows a four-year history of regular contributions made by the Foundation to the District, and a projection for fiscal year 2014-15:

FOUNDATION CONTRIBUTIONS
Rincon Valley Union School District
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Contribution
2010-11	$29,500
2011-12	30,000
2012-13	71,250
2013-14	75,000
2014-15[1]	75,000

[1] Projected.
Source: Rincon Valley Union School District.

Developer Fees. The following table shows a seven-year history and projection of developer fees collected on residential and commercial development within the District, and a projection for fiscal year 2014-15:

DEVELOPER FEES COLLECTIONS
Rincon Valley Union School District
Fiscal Years 2006-07 through 2014-15

Fiscal Year	Developer Fees Collected
2006-07	$375,954.21
2007-08	155,574.87
2008-09	82,821.70
2009-10	67,071.68
2010-11	18,778.67
2011-12	19,026.23
2012-13	126,639.96
2013-14	100,021.66
2014-15(1)	100,000.00

(1) Projected.
Source: Rincon Valley Union School District.

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 State Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and 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: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements.

There are five charter schools currently operating within the District, all of which are affiliated (collectively, the "Charter Schools"). The following table shows enrollment figures in for the District's Charter Schools for the past six fiscal years, and projected enrollment figures for the current fiscal year.

CHARTER SCHOOL ENROLLMENT
Rincon Valley Union School District
Fiscal Years 2008-09through 2014-15

Fiscal Year	Affiliated Charter School	Independent Charter School
2004-05	--	77
2005-06	--	160
2006-07	--	159
2007-08	--	168
2008-09	--	166
2009-10	584	163
2010-11	1,934	167
2011-12	1,998	--
2012-13	2,046	--
2013-14	2,142	--
2014-15(1)	2,227	--

(1) Projected.
Source: Rincon Valley Union School District.

The District can make no representations regarding how many District students will transfer to charter schools, back to the District from the charter schools, or will transfer between the District and other school districts due to the presence of charter school in the future, and the District cannot predict the corresponding financial impacts of such transfers on the District.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of A.B. 1290 pass-throughs are offset against State aid so long as a District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received . . . had the redevelopment agency existed at that time,” and that the County Auditor-Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values . . . and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. A.B. 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Budget Process

State Budgeting Requirements. 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. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by A.B. 1200, which became law on October 14, 1991. Portions of A.B. 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code § 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has never had an adopted budget disapproved by the County Superintendent of Schools, pursuant to A.B. 1200. In its next interim financial report, and for all reporting periods thereafter, the District has reported a "positive" certification.

General Fund Budgeting. The District's general fund adopted budgets for fiscal years 2011-12 through 2014-15, audited actual results for fiscal years 2011-12 through 2012-13, and unaudited actual results for fiscal year 2013-14 are set forth on the following page.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

GENERAL FUND BUDGETING
Rincon Valley Union School District
Fiscal Years 2011-12 through 2014-15

	Fiscal Year 2011-12[1]		Fiscal Year 2012-13[1]		Fiscal Year 2013-14		Fiscal Year 2014-15
	Budget	Audited	Budget	Audited	Budget[2]	Unaudited[2]	Budget[3]
REVENUES:							
LCFF/Revenue Limit Sources[4]:	$15,405,615	$17,172,092	$15,762,634	$17,598,936	$15,695,829	$23,118,679	$22,415,484
Federal Revenue	1,610,316	1,482,392	1,090,451	1,109,682	1,149,362	1,137,987	1,007,990
Other State Revenue	4,282,491	4,721,030	4,507,135	4,985,527	4,557,738	1,697,045	965,366
Other Local Revenue	6,571,059	7,092,767	7,005,777	7,341,145	7,498,930	7,924,523	8,161,459
TOTAL REVENUES	27,869,481	30,468,281	28,365,997	31,035,290	28,901,859	33,878,234	32,550,299
EXPENDITURES:							
Certificated Salaries	13,033,773	13,502,398	13,567,098	13,864,076	13,805,385	14,544,021	15,313,909
Classified Salaries	4,167,655	4,542,330	4,659,552	4,733,667	4,843,168	5,310,958	5,545,999
Employee Benefits	5,083,457	5,396,980	5,443,139	5,434,389	5,468,078	5,506,401	6,104,541
Books & Supplies	1,373,602	1,231,197	1,209,743	1,342,933	1,436,125	2,047,332	1,679,379
Services & Other Operating Expenditures	3,166,732	3,190,870	3,018,554	3,546,015	3,433,844	3,681,754	3,783,913
Capital Outlay	857,693	604,991	377,924	299,718	253,351	109,050	95,677
Other Outgo (including Transfers of Indirect Costs)	(6)	722	--	(40,138)	(15,115)	(14,794)	(50,268)
TOTAL EXPENDITURES	27,682,906	28,469,488	28,276,010	29,180,660	29,224,836	31,184,722	32,473,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	186,575	1,998,793	89,987	1,854,630	(322,977)	2,693,512	77,149
OTHER FINANCING SOURCES (USES)							
Operating Transfers In	--	61,500	61,500	171,500	61,500	3,731,799	50,760
Operating Transfers Out[5]	(1,024,472)	(2,030,801)	(245,864)	(1,729,262)	(178,715)	(6,133,039)	(457,278)
Contributions	--	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	(1,024,472)	(1,969,301)	(184,364)	(1,557,762)	(117,215)	(2,401,240)	(406,518)
NET CHANGE IN FUND BALANCES	(837,897)	29,492	(64,377)	296,868	(440,194)	292,272	(329,369)
FUND BALANCE, JULY 1 (adjusted)	9,415,200	9,415,200	9,444,692	9,444,692	9,004,276[6]	9,741,560	9,491,494[6]
FUND BALANCE, JUNE 30	$8,577,303	$9,444,692	$9,350,315	$9,741,560	$8,564,082	$10,033,832	$9,162,125

NOTE: All amounts are rounded to nearest whole number.
(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2011-12 through 2012-13.
(2) As reviewed by the District's Board of September 25, 2014.
(3) From the District's Fiscal Year 2014-15 Budget, adopted by the Board of June 10, 2014.
(4) Beginning with the first interim financial report for fiscal year 2013-14, this category of funds is coded as "LCFF/Revenue Limit Sources."
(5) Audited transfers reflect monies transferred from the General Fund to the Capital Improvement Fund only after the State has committed related funding for capital improvement projects after the applicable year's budget approval.
(6) The budgeted beginning fund balances differ from prior year ending fund balances in these years due to revenues exceeding expectations in the prior year, as of the date of the applicable year's budget approval.
Source: Rincon Valley Union School District.

Comparative Financial Statements

Excerpts of the District's audited financial statements for the year ended June 30, 2013 are included for reference in APPENDIX B hereto. Audited financial statements for the District for the fiscal year ended June 30, 2013, and prior fiscal years are on file with the District and available for public inspection at the Office of the Deputy Superintendent of the District, Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California 95405, telephone: (707) 542-7375. The following tables reflect the District's revenues, expenditures and fund balances for fiscal years 2008-09 through 2012-13.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

AUDITED STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Rincon Valley Union School District
2008-09 through 2012-13

	Audited Fiscal Year 2008-09	Audited Fiscal Year 2009-10	Audited Fiscal Year 2010-11	Audited Fiscal Year 2011-12	Audited Fiscal Year 2012-13
Revenue:					
Revenue Limit Sources	$15,185,204	$14,432,500	$17,615,918	$17,172,092	$17,598,936
Federal Revenue	2,018,067	2,109,835	1,947,391	1,482,392	1,109,682
State Revenues	3,269,275	3,648,042	4,298,065	4,721,030	4,985,527
Other Local Revenues	6,723,754	6,419,786	7,404,811	7,092,767	7,341,145
Total Revenue	27,196,300	26,610,163	31,266,185	30,468,281	31,035,290
Expenditures:					
Certificated Salaries	13,033,786	12,868,293	13,338,151	13,502,398	13,864,076
Classified Salaries	3,846,723	3,793,125	4,231,153	4,542,330	4,733,667
Employee Benefits	4,541,950	4,684,075	5,096,376	5,396,980	5,434,389
Books and Supplies	1,063,045	1,022,554	1,939,314	1,231,197	1,342,933
Services & Other Operating Expenditures	3,103,643	2,989,364	2,894,816	3,190,870	3,546,015
Capital Outlay	5,714	238,909	323,005	604,991	299,718
Other Outgo (Including Transfers of Indirect Costs)	292,379	289,213	3,471	722	(40,138)
Total Expenditures	25,887,240	25,885,533	27,826,286	28,469,488	29,180,660
Excess (Deficiency) of Revenues over Expenditures	1,309,060	724,630	3,439,899	1,998,793	1,854,630
Net Other Financing Sources & Uses					
Transfers In	--	--	--	61,500	171,500
Transfers Out	--	(96,581)	(821,936)	(2,030,801)	(1,729,262)
Other Sources/(Uses)	--	--	--	--	--
Net Financing Sources (Uses)	--	(96,581)	(821,936)	1,969,301	(1,557,762)
Net Change in Fund Balance	1,309,060	628,049	2,617,963	29,492	296,868
Beginning Balance	3,213,866	4,522,946	6,797,237	9,415,200	9,444,692
Ending Balance	$4,522,946	$5,150,995	$9,415,200	$9,444,692	$9,741,560

Source: Rincon Valley Union School District.

General Fund Reserves

The State Board of Education has historically adopted a policy to maintain a general fund reserve for economic uncertainty that meets or exceeds the requirements of California Education Code; these requirements currently mandate that the District's general fund reserve exceed 3% of its total general fund expenditures, transfers out, and other uses. The District's Board further directs the District to maintain a reserve of 15% of the District's general fund expenditures and other financing uses (the "Policy"). Because amounts in the District's nonspendable, restricted, committed, and assigned accounting categories are subject to varying constraints on their use, the District's general fund reserve balance consists of balances that are otherwise unassigned. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget" herein regarding a potential cap on future district general fund reserves.

Accounting Practices

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

RINCON VALLEY UNION SCHOOL DISTRICT

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

Introduction

The District, located in Sonoma County, California, encompasses a total area of approximately 50 square miles, including the eastern and northeastern areas of the City of Santa Rosa, California and certain unincorporated areas in the County. The District operates three traditional elementary schools serving grades kindergarten through sixth grade, five elementary conversion charter schools serving grades kindergarten through sixth grade, and one affiliated charter middle school with two campuses serving seventh and eighth grades. The District also operates three special education programs for elementary students with mild to severe needs as the lead agency for the Redwood Consortium for Student Services, a special educational consortium comprised of the District and eight neighboring school districts. The District's total enrollment for fiscal year 2013-14 was approximately 3,495 students, which number includes affiliated charter school students attending school within the District's boundaries. The District has a 2014-15 total assessed valuation of $5,612,629,469, and it serves a population of approximately 41,500 residents.

Administration

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

BOARD OF EDUCATION
Rincon Valley Union School District

Name	Office	Term Expires
Cynthia Evers	President	December 2018
Carol Lynn Wood	Clerk	December 2016
Katie Barr	Member	December 2016
Jeff Gospe	Member	December 2018
Chris Rafanelli	Member	December 2018

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Casey D'Angelo, Ed.D. is currently the Superintendent of the District. Brief biographies of key personnel follow:

Casey D'Angelo, Ed.D., Superintendent. Dr. Casey D'Angelo is in his fourth year serving as Superintendent in the District and his thirty-seventh year in education. Prior to coming to Rincon Valley, Dr. D'Angelo was superintendent of the Wright School District in Sonoma County for five years. He has also served as Superintendent/Principal of the Liberty Elementary District and as principal at Schaefer Elementary in the Piner-Olivet School District. His teaching experience includes seven years in special education and nine years teaching 3rd-6th grades. Dr. D'Angelo has taught in England and Canada as a Fulbright Exchange teacher, and also taught high school for two years in Western Samoa while serving in the Peace Corps. Dr. D'Angelo earned a Bachelor of Arts degree in Child Development from the University of California-Davis, a Master's Degree in Special Education from San Francisco State University, and a Doctorate in Educational Leadership from the University of La Verne.

Joseph Pandolfo, Ed.D., Deputy Superintendent. Joseph Pandolfo has worked in public education for over twenty-five years as both a teacher and administrator. As the Deputy Superintendent for the District, Dr. Pandolfo is responsible for supervising an annual budget of over $34 million and oversees all of the financial and operational departments of the District, including technology, maintenance, food service, transportation, and construction. Dr. Pandolfo came to the District after working for ten years as the Director of Finance and Operations of the Westchester Elementary School District, located in the western suburbs of Chicago. He serves on the Sonoma County Special Education Plan Area Finance Committee, was elected to the executive board of the Redwood Empire Schools Insurance Group, and is chair of the Sonoma County Treasury Oversight Committee. In 2011, Dr. Pandolfo was selected School Business Official of the Year by the Sonoma County Association of School Administrators. Dr. Pandolfo earned a Bachelor in Music Education from Indiana University, Bloomington and taught K-12 music for 9 years. He also holds a Master in School Business Administration from Loyola University of Chicago, and a School Chief Business Official credential for the State of Illinois. Dr. Pandolfo received his Doctorate degree from the University of California-Davis after completing a dissertation on the effects of economy of scale on California School Districts. He has been a guest lecturer at Sonoma State University, and the University of California-Davis, and the Sonoma County Office of Education. He also frequently consults with school districts in Sonoma County in the areas of school business and charter school management.

Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 21:1 for grades K-3, 29:1 in grades 4-6 and 24:1 in grades 7-8. The following table shows the District's ADA and enrollment over the last four years, and a projection for fiscal year 2014-15.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT[1]
Rincon Valley Union School District
Fiscal Years 2010-11 through 2014-15

Fiscal Year	ADA	Enrollment
2010-11	3,154	3,265
2011-12	3,256	3,353
2012-13	3,227	3,373
2013-14[2]	3,404	3,495
2014-15[3]	3,532	3,637

(1) Average Daily Attendance and enrollment numbers include affiliated charter school students and exclude independent charter school students within the District's boundary. Enrollment is as of the October report submitted to the California Basic Educational Data System ("CBEDS") in each school year.
(2) District enrollment increased in this year as the result of the opening of a second campus of the Rincon Valley Charter School.
(3) Projected.
Source: Rincon Valley Union School District.

Labor Relations

The District currently employs approximately 243 regular certificated employees and 261 regular classified employees. The District also employs five management employees. These employees, except management employees, are represented by two bargaining units as noted below:

LABOR RELATIONS ORGANIZATIONS
Rincon Valley Union School District

Bargaining Unit	Number of Employees in Organization	Contract Expiration Date
California Teachers' Association	237	June 30, 2017
California School Employees' Association	233	June 30, 2017

Source: Rincon Valley Union School District.

Retirement Programs

The information set forth below regarding the District's retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit

Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation described below to increase contribution rates.

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.15%	8.15%
July 1, 2015	9.20	8.56
July 1, 2016	10.25	9.205

Source: A.B. 1469.

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

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

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

Source: A.B. 1469.

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

The District's contributions to STRS were $1,086,816 for fiscal year 2010-11, $1,082,001 for fiscal year 2011-12 and $1,157,330 for fiscal year 2012-13. The District estimates its final STRS contribution to be $1,247,450 in fiscal year 2013-14, and has budgeted $1,514,454 for its STRS contribution in fiscal year 2014-15.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to A.B. 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for school districts throughout the State (the "Schools Pool").

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.771% of eligible salary expenditures for fiscal year 2014-15. Participants enrolled in PERS 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 is 6% of their respective salaries for fiscal year 2013-14. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $463,393 for fiscal year 2010-11, $454,198 for fiscal year 2011-12 and $574,863 for fiscal year 2012-13. The District estimates its final PERS contribution to be $657,600 in fiscal year 2013-14, and has budgeted $741,463 for its PERS contribution in fiscal year 2014-15.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2012-13

	STRS				PERS			
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) (2)	Unfunded Liability (MVA) (2) (3)	Unfunded Liability (AVA) (4)	Accrued Liability	Value of Trust Assets (MVA) (2)	Unfunded Liability (MVA) (2)	Unfunded Liability (AVA) (4)
2010-11	$208,405	$147,140	$68,365	$64,475	$58,358	$45,901	$12,457	$6,811
2011-12	215,189	143,118	80,354	70,957	59,439	44,854	14,585	5,648
2012-13	222,281	157,176	74,374	73,667	(5)	(5)	(5)	(5)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Excludes SBPA reserve.
(4) Reflects actuarial value of assets.
(5) On April 16, 2014, the PERS Board of Administration (the "PERS Board") released certain actuarial information to be incorporated into the June 30, 2013 actuarial valuation to be released in late summer 2014. Based upon this information, as of June 30, 2013, the Schools Pool portion of the Public Employees Retirement Fund had an unfunded accrued actuarial liability of $12.0 billion with a funded ratio of 80.5% based on market value of assets.
Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

On March 14, 2012, the PERS Board of Administration (the "PERS Board") voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The 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 each of: the State, K-14 school districts and all other public agencies.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled 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. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Social Security. As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its plan for all such employees.

Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings to Social Security participants and an employee is required to contribute 6.20 percent of his or her gross earnings to Social Security.

The District's Social Security payment was $286,050 for fiscal year 2010-11, $309,277 for fiscal year 2011-12, $324,801 for fiscal year 2012-13, and is estimated to be $365,825 for fiscal year 2013-14. The District has budgeted $388,174 for its Social Security payment for fiscal year 2014-15. In each such year, the District's contributions were equal to 100 percent of the required contributions for that year.

For further information about the District's retirement programs see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS – Note 13 – Employee Retirement Systems" herein.

Other Post-Employment Benefits

Benefits Plan. The District has entered into various agreements with certain eligible employees to provide post-retirement medical benefits (the "Benefits"). Only those certificated employees of the District employed prior to June 30, 1986, those classified employees of the District employed prior to July 1, 2014, and those management employees of the District employed prior to June 14, 1988 are eligible for the Benefits. Eligibility for these benefits begins on or after the age of 55, with at least 20 years of service in the case of certificated and management employees and with at least five years of service in the case of classified employees. Benefits are provided until age 65. As of February 1, 2013, there were 32 retirees receiving Benefits.

Funding Policy. Expenditures for the Benefits are recognized on a "pay-as-you-go" basis to cover the cost of premiums for current retirees. During fiscal year 2013-14, an expenditure of $11,188 was recognized for the Benefits. For Fiscal Year 2014-15, the District expect a $198,892 expenditure with respect to the Benefits.

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 45"), which establishes standards for recognizing and disclosing liabilities related to post-employment healthcare, as well as other forms of post-employment benefits, in the financial reports of state and local governments. Such state and local governments are required to (i) measure the cost of benefits and recognize the associated expense on an accrual basis, (ii) provide information on the actuarially-determined liabilities for benefits associated with past service, and whether, to what extent, such liabilities have been funded, and (iii) provide information useful in assessing potential demands on the future cash flows thereof. The District has commissioned and received, on at least a triannual basis, studies of the actuarial accrued liability associated with the Benefits, and the unfunded portion thereof (each a "UAAL"). Each such actuarial study has also calculated an annual required contribution (an "ARC"), which is the amount that would be necessary to fund the value of future Benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the UAAL, in accordance with GASB 45.

Since the implementation of GASB 45, the District has recognized in each a fiscal year a net balance sheet liability (the "Net OPEB Obligation") or asset (a "Net OPEB Asset"), as applicable, which is a function of the cumulative costs for post-employment benefits that have accrued under GASB 45, as compared to the cumulative District-made contributions and benefits paid.

The District most recent actuarial study calculated UAAL in connection with the Benefits to be $1,629,339 as of February 1, 2013, the date of such study. Pursuant to the same calculations, the District's ARC for fiscal year 2012-13 was calculated to be $232,334. As of June 30, 2013, the District recognized a Net OPEB Obligation of $142,820 with respect to its accrued liability for the Benefits. For further information about the Benefits see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS –Note 10 – Other Postemployment Benefits (OPEB)" herein.

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District pools its risks as a part of a public entity risk pool, by participating in a joint powers agreement ("JPA") with the Redwood Empire Schools' Insurance Group ("RESIG"). A board consisting of a representative from each member district governs the JPA. The governing board controls the operation of the JPA independent of any influence by the District beyond the District's representation on the governing board. The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and the JPA is such that the JPA not a component unit of the District for financial reporting purposes.

The District pays annual premiums for its property and casualty, workers' compensation, and liability insurance coverage to the JPA. The JPA provides that its risk pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels. In fiscal year 2012-13, there were no significant reductions in the District's insurance coverage from prior years ,and no insurance settlement exceeding insurance coverage in any of fiscal years 2010-11, 2011-12 or 2012-13. For further information about the District's risk management policies see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS – Note 15 –Risk Management" herein. For further information about the JPA see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS – Note 16 – Joint Venture" herein.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2013 is shown below:

	Balance July 1, 2012	Accretions/ Additions	Deductions	Balance June 30, 2013
Compensated Absences	$205,127	$144,599	$205,127	$144,599
General Obligation Bonds				
Current Interest	17,480,000	15,980,000	14,740,000	18,720,000
Capital Appreciation	4,575,980	404,268	45,000	7,935,248
Capital Lease	3,399,378	--	142,786	3,256,592
Other Postemployment Benefits(1)	--	227,029	215,841	11,188
Total	$28,660,485	$16,755,896	$15,348,754	$30,067,627

(1) See, "-Other Post-Employment Benefits," above.
Source: Rincon Valley Union School District.

Payments on the general obligation bonds were made from the respective bond interest and redemption funds held by the County and the escrow agents therefor. Compensated absences and net OPEB obligations were paid by the fund for which the respective employees worked. The capital lease was paid from the District's general fund.

General Obligation Bonds. On March 2, 2004, the voters of the District approved the issuance of not-to-exceed $23,900,000 of general obligation bonds (the "2004 Authorization"). On June 3, 2004, the District issued the first series of bonds under the 2004 Authorization in the aggregate principal amount of $16,500,000 (the "Election of 2004, Series 2004 Bonds"). On May 5, 2005, the District issued the second and final series of bonds under the 2004 Authorization in the aggregate principal amount of $7,399,007.90, as current interest bonds and capital appreciation bonds (the "Election of 2004, Series 2005 Bonds"). On September 26, 2012, the District issued its 2012 General Obligation Refunding Bonds in the aggregate principal amount of $15,980,000, in order to advance refund a portion of the Election of 2004, Series 2004 Bonds.

The 2014 Authorization was approved by voters at an election held on June 3, 2014, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of $35,000,000 principal amount of general obligation bonds of the District. The Bonds are the first issuance of bonds under the 2014 Authorization. Following the issuance of the Bonds $17,000,000* shall remain for future issuance.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The following table shows the total debt service with respect to the District's outstanding general obligation bonded debt, including the Bonds.

GENERAL OBLIGATION BONDS ANNUAL DEBT SERVICE*
Rincon Valley Union School District

	Election of 2004 Bonds		Election of 2014 Bonds	
Year Ending August 1	Series 2005 Bonds	2012 Refunding Bonds	The Bonds	Total Annual Debt Service
2015	$1,467,375.00	$765,000.00		
2016	1,516,575.00	830,000.00		
2017	1,564,825.00	780,000.00		
2018	1,620,075.00	830,000.00		
2019	1,672,325.00	890,000.00		
2020	1,730,825.00	955,000.00		
2021	1,790,325.00	1,000,000.00		
2022	1,850,825.00	1,070,000.00		
2023	1,911,825.00	1,145,000.00		
2024	1,978,075.00	1,225,000.00		
2025	2,044,075.00	1,310,000.00		
2026	2,114,575.00	1,400,000.00		
2027	2,187,025.00	1,485,000.00		
2028	2,257,600.00	1,570,000.00		
2029	2,333,458.33	90,000.00		
2030	2,412,000.00	--		
2031	2,497,000.00	--		
2032	2,582,000.00	--		
2033	2,667,000.00	--		
2034	2,757,000.00	--		
2035	2,852,000.00	--		
2036	1,202,250.00	--		
2037	--	--		
Total	$45,009,033.33	$15,345,000.00		

* Preliminary, subject to change.
Source: Rincon Valley Union School District.

Capital Leases. On December 1, 2009, the District entered into an adjustable rate lease purchase agreement with the Public Agency Finance Corporation in the amount of $3,735,000, with an initial interest rate of 3.57% per annum. On December 1, 2014, December 1, 2019, and on December 1, 2024, the interest rate on any such maturities then-outstanding shall be adjusted to equal 85% of the Seattle Federal Home Loan Bank 5 Year Advance Rate. The District used the proceeds of this lease purchase agreement to redeem a prior series of District certificates of participation.

The following table shows the future minimum lease payments with respect to the District's capital lease.

Year Ending June 30	Principal	Interest	Total
2015	$149,667	$80,887	$230,554
2016	182,011	48,542	230,553
2017	185,056	45,497	230,553
2018	188,152	42,401	230,553
2019-23	989,042	163,724	1,152,766
2024-28	1,074,588	78,179	1,152,767
2029-33	340,147	5,682	345,829
Total	$3,108,663	$464,912	$3,573,575

Source: Rincon Valley Union School District.

For further information about the District's long-term debt, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS – Note 11 – Long-Term Liabilities."

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

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

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

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2013-14 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of material events will be filed by the District in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Reports or the notices of material events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to timely file certain material event notices. Within the past five years, the District has never filed a notice of its failure to file material event notices. Additional information regarding the District's filings in the past five years is available on http://www.emma.msrb.org. However, the information presented on such website is not incorporated herein by any reference.

Future Undertakings. For the 2014-15 fiscal year, the District has retained California Financial Services, Santa Rosa, California, to prepare and file future annual reports and material event notices required under its existing continuing disclosure obligations with respect to the District's outstanding general obligation bonds, including the Bonds.

No Litigation

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

There are a number of lawsuits and claims pending against the District. 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 finances of the District.

Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date of this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

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

MISCELLANEOUS

Ratings

The Bonds have been assigned a rating of "Aa2" by Moody's Investors Service ("Moody's") and "AA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC ("S&P"). The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich, New York, NY 10007 and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2013, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Stephen Roatch Accountancy Corporation (the "Auditor"), are included in this Official Statement as APPENDIX B. In connection with the inclusion herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the "Purchase Contract"), to purchase all of the Bonds for a purchase price of $_____________ (which is equal to the principal amount thereof plus original issue premium of $_____________ and less Underwriter's discount of $_____________.

The Purchase Contract related to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth therein, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices. The offering prices may be changed from time to time by the Underwriter.

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Pershing Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Bonds. Under the Pershing Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

The Underwriter has also entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Financial Advisor

California Financial Services, Santa Rosa, California (the "Financial Advisor") has assisted the District in matters relating to the planning, structuring, and sale of the Bonds, and has provided general financial advisory services to the District with respect to the sale of the Bonds. The Financial Advisor provides financial advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The payment of fees of the Financial Advisor is contingent upon the closing of the Bonds transaction.

Additional Information

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

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

RINCON VALLEY UNION SCHOOL DISTRICT

By: ______________________________

Casey D'Angelo, Ed.D.
Superintendent

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

October 23, 2014

Board of Education
Rincon Valley Union School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $_____________ Rincon Valley Union School District (Sonoma County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, a fifty-five percent vote of the qualified electors of the Rincon Valley Union School District (the "District") voting at an election held on June 3, 2014 and a resolution of the Board of Education of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest is may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income

of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2012-13 AUDITED FINANCIAL STATEMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

RINCON VALLEY UNION SCHOOL DISTRICT
COUNTY OF SONOMA
SANTA ROSA, CALIFORNIA

AUDIT REPORT

JUNE 30, 2013

RINCON VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2013

TABLE OF CONTENTS

TABLE OF CONTENTS (CONCLUDED)

FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rincon Valley Union School District
Santa Rosa, 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 the Rincon Valley Union School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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 Rincon Valley Union School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison information on page 43, and schedule of funding progress on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rincon Valley Union School District's basic financial statements. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 on our consideration of Rincon Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Rincon Valley Union School District's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

December 6, 2013

This section of the Rincon Valley Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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

FINANCIAL HIGHLIGHTS

- The District's overall financial status improved during the course of the year, as total net position increased 2.8%.

- On the Statement of Activities, total current year revenues exceeded total current year expenses by $482,846.

- Capital assets, net of depreciation, increased $424,582, due to the current year addition of $1,866,137 of new capital assets and improvements, and the current year recognition of $1,441,555 of depreciation expense.

- Total long-term liabilities increased $1,407,142 during fiscal year 2012-13, due primarily to the current year issuance of general obligation refunding bonds, which initially increase the outstanding debt obligation, but ultimately results in decreased debt service requirements that reduce the tax burden on those who own property within the District.

- The District's average daily attendance (ADA) increased from 2,991 in fiscal year 2011-12, up to 2,995 in fiscal year 2012-13, an increase of less than 1%. (General Fund ADA Only)

- The General Fund contributed $1,729,262 to the Capital Projects - Special Reserve Fund to set aside funding for current and future capital projects and still managed to produce a $296,868 increase in fund balance. In addition, the District reported a $4,907,003 increase in its available reserves, due to a significant decrease in the portion of fund balance that has been assigned for specific future uses.

- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2012-13, total General Fund expenditures and other financing uses totaled $30,909,922. At June 30, 2013, the District has available reserves of $9,481,319 in the General Fund which represents a reserve of 30.7%.

THE FINANCIAL REPORT

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.
    - Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

Governmental Activities:

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

Reporting the District's Most Significant Funds

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

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District's Most Significant Funds (Concluded)

Governmental Funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The District's net position increased from $17,552,127 at June 30, 2012, up to $18,034,973 at June 30, 2013, an increase of 2.8%.

Comparative Statement of Net Assets

	Governmental Activities	
	2012	2013
Assets		
Deposits and Investments	$ 11,158,521	$ 12,820,268
Receivables	6,233,525	5,146,028
Inventories	18,291	16,459
Prepaid Expenses	26,125	1,637,825
OPEB Asset	5,275	0
Capital Assets, net	33,009,039	33,433,621
Total Assets	50,450,776	53,054,201
Liabilities		
Current	4,990,935	6,128,964
Long-term	27,907,714	28,890,264
Total Liabilities	32,898,649	35,019,228
Net Assets		
Invested in Capital Assets - Net of Related Debt	6,976,431	7,936,494
Restricted	(1,109,351)	(1,286,198)
Unrestricted	11,685,047	11,384,677
Total Net Position	$ 17,552,127	$ 18,034,973

Table includes financial data of the combined governmental funds.

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

The District's total current year revenues exceeded total current year expenses by $482,846.

Comparative Statement of Changes in Net Assets

	Governmental Activities	
	2012	2013
Program Revenues		
Charges for Services	$ 4,026,064	$ 4,336,260
Operating Grants & Contributions	4,345,484	3,887,641
General Revenues		
Taxes Levied	14,459,966	14,889,278
Federal & State Aid	9,830,144	10,115,468
Interest & Investment Earnings	120,900	77,914
Transfers	377,977	360,584
Miscellaneous	1,583,263	1,818,196
Total Revenues	34,743,798	35,485,341
Expenses		
Instruction	20,150,922	20,541,193
Instruction-Related Services	3,037,870	3,316,428
Pupil Services	4,025,505	4,334,811
General Administration	1,427,407	1,523,556
Plant Services	2,455,672	3,163,227
Ancillary Services	83,782	101,255
Community Services	914,828	897,466
Enterprise Activities	2,305	609
Interest on Long-Term Debt	1,432,848	1,083,289
Other Outgo	2,222	40,661
Total Expenses	33,533,361	35,002,495
Changes in Net Position	$ 1,210,437	$ 482,846

Table includes financial data of the combined governmental funds.

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

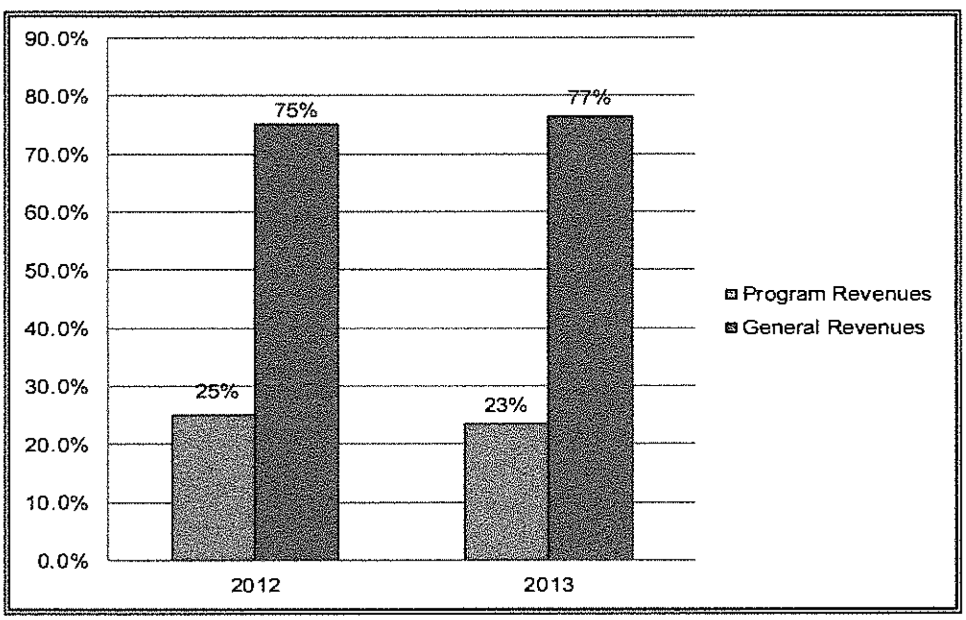
The table below presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $26,778,594 cost shows the financial burden that was placed on the District's general revenues for providing the services listed below.

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	$ 20,150,922	$ 20,541,193	$ 15,607,884	$ 16,523,453
Instruction-Related Services	3,037,870	3,316,428	2,494,658	2,773,179
Pupil Services	4,025,505	4,334,811	1,095,263	1,184,940
General Administration	1,427,407	1,523,556	1,149,268	1,141,652
Plant Services	2,455,672	3,163,227	2,455,663	3,151,130
Other Expenses	2,435,985	2,123,280	2,359,077	2,004,240
Totals	$ 33,533,361	$ 35,002,495	$ 25,161,813	$ 26,778,594

Table includes financial data of the combined governmental funds

Program revenues financed 23% of the total cost of providing the services listed above, while the remaining 77% was financed by the general revenues of the District.

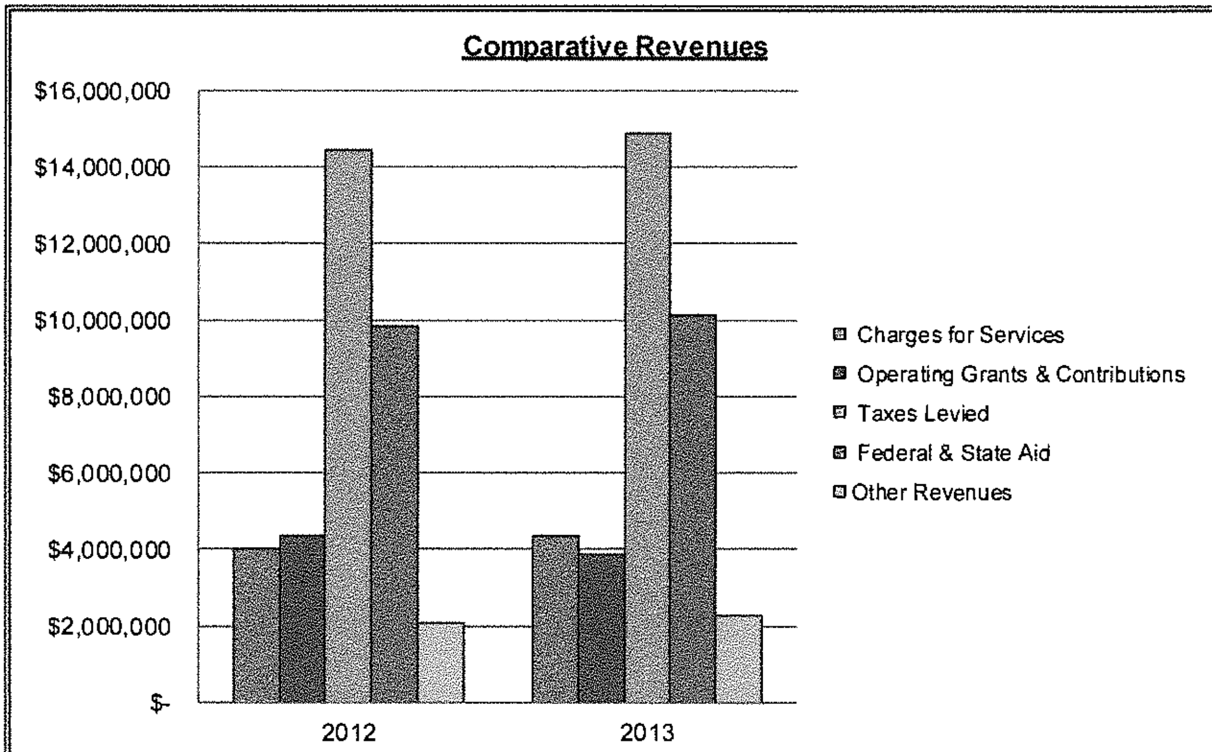


FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Revenues For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 4,026,064	11.59%	$ 4,336,260	12.22%
Operating Grants & Contributions	4,345,484	12.51%	3,887,641	10.96%
General Revenues				
Taxes Levied	14,459,966	41.62%	14,889,278	41.96%
Federal & State Aid	9,830,144	28.29%	10,115,468	28.51%
Other Revenues	2,082,140	5.99%	2,256,694	6.36%
Total Revenues	$ 34,743,798	100.00%	$ 35,485,341	100.00%

Table includes financial data of the combined governmental funds

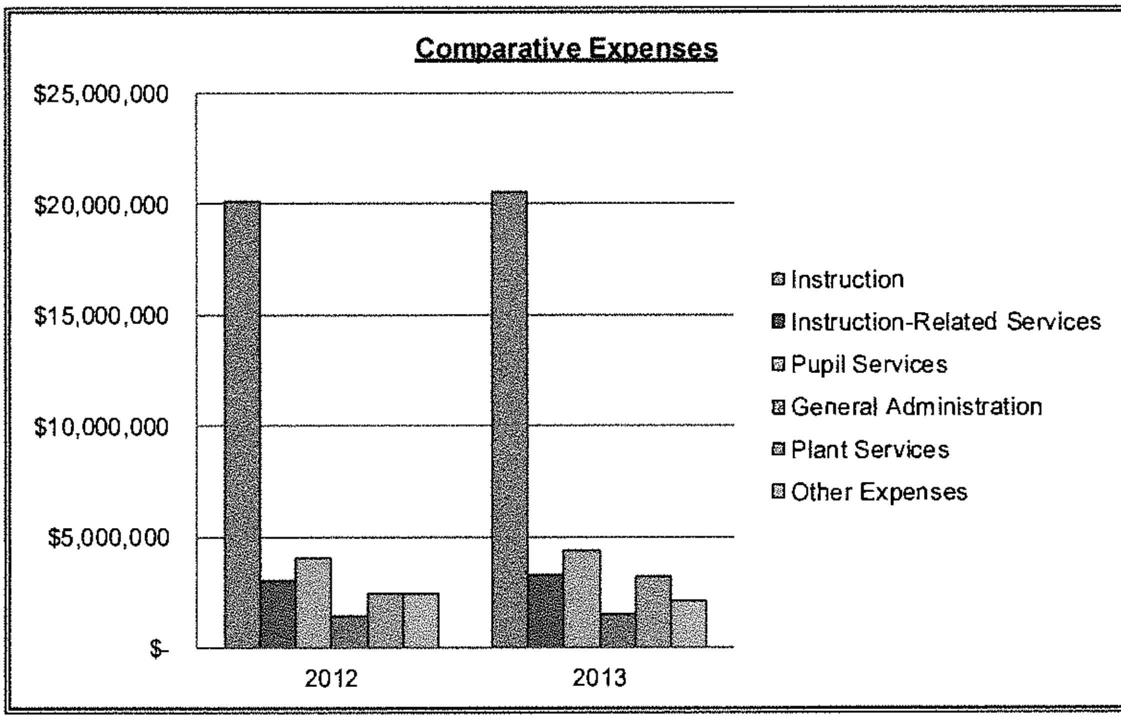


FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2012 Amount	Percent of Total	FYE 2013 Amount	Percent of Total
Expenses				
Instruction	$ 20,150,922	60.09%	$ 20,541,193	58.68%
Instruction-Related Services	3,037,870	9.06%	3,316,428	9.47%
Pupil Services	4,025,505	12.00%	4,334,811	12.38%
General Administration	1,427,407	4.26%	1,523,556	4.35%
Plant Services	2,455,672	7.32%	3,163,227	9.04%
Other Expenses	2,435,985	7.26%	2,123,280	6.07%
Total Expenses	$ 33,533,361	100.00%	$ 35,002,495	100.00%

Table includes financial data of the combined governmental funds.



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

Comparative Schedule of Capital Assets

	Governmental Activities	
	2012	2013
Land	$ 1,122,383	$ 1,122,383
Sites and Improvements	2,042,438	2,151,641
Buildings and Improvements	42,613,594	43,459,936
Furniture and Equipment	1,252,164	1,560,720
Work-in-Progress	138,473	740,509
Subtotals	47,169,052	49,035,189
Less: Accumulated Depreciation	(14,160,013)	(15,601,568)
Capital Assets, net	$ 33,009,039	$ 33,433,621

Capital assets, net of depreciation, increased $424,582, due to the current year addition of $1,866,137 of new capital assets and improvements, and the current year recognition of $1,441,555 of depreciation expense.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities	
	2012	2013
Compensated Absences	$ 205,127	$ 144,599
General Obligation Bonds	25,055,980	26,655,248
Capital Lease	3,399,378	3,256,592
Other Post Employment Benefits	0	11,188
Totals	$ 28,660,485	$ 30,067,627

The general obligation bonds are financed by the local taxpayers and represent 88% of the District's long-term liabilities. The capital lease is financed by developer fees and unrestricted General Fund sources, and represents approximately 11% of the District's long-term liabilities. The remaining 1% of the District's long-term liabilities is financed by the General Fund.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Comparative Schedule of Fund Balances

	Fund Balances June 30, 2012	Fund Balances June 30, 2013	Increase (Decrease)
General	$ 9,444,692	$ 9,741,560	$ 296,868
Bond Interest & Redemption	1,179,151	1,088,338	(90,813)
Capital Projects - Special Reserve	2,008,494	1,512,646	(495,848)
Cafeteria	286,916	295,195	8,279
Child Development	120,051	146,627	26,576
Charter School	461,426	403,171	(58,255)
Capital Facilities	3,598	20,652	17,054
Building	56,685	43,509	(13,176)
Totals	$ 13,561,013	$ 13,251,698	$ (309,315)

The fund balance of the District's General Fund increased $296,868 during fiscal year 2012-13, while the combined the combined fund balances of all other District funds decreased $606,183.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim. The original budget presented on page 43 includes only new revenues for 2012-13.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has grown steadily over the past several years. However, the schools in the District are limited as to the number of students each campus and grade level can accommodate. Some schools in the district are currently turning away students at certain grade levels, which is limiting the District's revenue. In order for the District to accept more students, significant investment in facilities and possibly land purchases will need to occur.

The 2013-14 Budget Act and related trailer bills manifests many significant improvements and overdue changes to California Schools funding system. We recognize that these are extraordinary economic times and though the implementation of the new Local Control Funding Formula (LCFF) brings positive changes to most districts, there is still much uncertainty. It is currently very difficult to gauge the future with an eight-year phase-in for full implementation of LCFF and complete details have yet to be released regarding the new funding and accountability requirements. As a result, school district budgets should continue to be managed with a great degree of conservatism over the next few years. The District has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Assistant Superintendent of Business, Rincon Valley Union School District, 1000 Yulupa Avenue, Santa Rosa, California, 95405.

RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 12,820,268
Receivables (Note 4)	5,146,028
Stores Inventory (Note 1I)	16,459
Prepaid Expenses (Note 1I)	1,637,825
Capital Assets: (Note 6)	
Land	1,122,383
Sites and Improvements	2,151,641
Buildings and Improvements	43,459,936
Furniture and Equipment	1,560,720
Work-in-Progress	740,509
Less: Accumulated Depreciation	(15,601,568)
Total Assets	53,054,201
Liabilities	
Accounts Payable and Other Current Liabilities	4,951,601
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	144,599
General Obligation Bonds	
Current Interest	835,000
Capital Appreciation	49,835
Capital Leases	147,929
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 7)	
Current Interest	17,885,000
Capital Appreciation	7,885,413
Capital Leases (Note 8)	3,108,663
Other Post Employment Benefits (Note 10)	11,188
Total Liabilities	35,019,228
Net Position	
Investment in Capital Assets, Net of Related Debt	7,936,494
Restricted:	
For Capital Projects	20,652
For Debt Service	(1,865,585)
For Educational Programs	249,917
For Other Purposes	308,818
Unrestricted	11,384,677
Total Net Position	$ 18,034,973

RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 20,541,193	$ 1,832,426	$ 2,185,314		$ (16,523,453)
Instruction-Related Services:					
Supervision of Instruction	453,591	166,995	76,530		(210,066)
Instructional Library and Technology	340,896		4,534		(336,362)
School Site Administration	2,521,941	227,416	67,774		(2,226,751)
Pupil Services:					
Home-to-School Transportation	606,689	181	302,801		(303,707)
Food Services	1,157,903	371,092	755,271		(31,540)
Other Pupil Services	2,570,219	1,298,985	421,541		(849,693)
General Administration:					
Data Processing Services	38,246				(38,246)
Other General Administration	1,485,310	321,867	60,037		(1,103,406)
Plant Services	3,163,227	11,847	250		(3,151,130)
Ancillary Services	101,255	64,178	12,717		(24,360)
Community Services	897,466	41,273	872		(855,321)
Enterprise Activities	609				(609)
Interest on Long-Term Debt	1,083,289				(1,083,289)
Other Outgo	40,661				(40,661)
Total Governmental Activities	$ 35,002,495	$ 4,336,260	$ 3,887,641	$ 0	(26,778,594)
General Revenues					
Taxes Levied for General Purposes					12,823,108
Taxes Levied for Debt Service					1,087,145
Taxes Levied for Specific Purposes					979,025
Federal and State Aid - Unrestricted					10,115,468
Interest and Investment Earnings					77,914
Transfers from Other Agencies					360,584
Miscellaneous					1,818,196
Total General Revenues					27,261,440
Change in Net Position					482,846
Net Position - July 1, 2012					17,552,127
Net Position - June 30, 2013					$ 18,034,973

RINCON VALLEY UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Bond Interest and Redemption	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 9,318,188	$ 1,088,338	$ 1,643,992	$ 769,750	$ 12,820,268
Receivables (Note 4)	4,771,423			374,605	5,146,028
Due from Other Funds (Note 5)	41,515		350,000	1,675	393,190
Stores Inventory (Note 1I)	8,123			8,336	16,459
Total Assets	$ 14,139,249	$ 1,088,338	$ 1,993,992	$ 1,154,366	$ 18,375,945
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 4,047,689		$ 481,346	$ 202,022	$ 4,731,057
Due to Other Funds (Note 5)	350,000			43,190	393,190
Total Liabilities	4,397,689		481,346	245,212	5,124,247
Fund Balances: (Note 12)					
Nonspendable	11,623			10,336	21,959
Restricted	248,618	$ 1,088,338		308,810	1,645,766
Assigned			1,512,646	590,008	2,102,654
Unassigned	9,481,319				9,481,319
Total Fund Balances	9,741,560	1,088,338	1,512,646	909,154	13,251,698
Total Liabilities and Fund Balances	$ 14,139,249	$ 1,088,338	$ 1,993,992	$ 1,154,366	$ 18,375,945

RINCON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds		$ 13,251,698
Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:		
Capital Assets	$ 49,035,189	
Accumulated Depreciation	(15,601,568)	
Net		33,433,621
Unamortized costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issuance costs included in prepaid expense on the statement of net position are:		
Deferred Charges - Discount	$ 76,304	
Deferred Charges - Costs of Issuance	202,954	
Deferred Charges - Refunding	1,358,567	
Net		1,637,825
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Compensated Absences	$ 144,599	
General Obligation Bonds:		
Current Interest	18,720,000	
Capital Appreciation	7,935,248	
Capital Lease	3,256,592	
Other Post Employment Benefits	11,188	
Total		(30,067,627)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statements of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(220,544)
Total Net Position - Governmental Activities		$ 18,034,973

RINCON VALLEY UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Bond Interest and Redemption	Capital Projects - Special Reserve	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 4,775,828			$ 871,276	$ 5,647,104
Local Taxes	12,823,108				12,823,108
Total Revenue Limit Sources	17,598,936			871,276	18,470,212
Federal Revenue	1,109,682			720,114	1,829,796
State Revenue	4,985,527	$ 13,347		182,972	5,181,846
Local Revenue	7,341,145	1,079,046	$ 25,255	1,558,041	10,003,487
Total Revenues	31,035,290	1,092,393	25,255	3,332,403	35,485,341
Expenditures					
Instruction	19,228,987			638,346	19,867,333
Supervision of Instruction	433,704				433,704
Instructional Library and Technology	314,542			11,408	325,950
School Site Administration	2,196,278			215,091	2,411,369
Home-To-School Transportation	688,159				688,159
Food Services	59			1,107,077	1,107,136
Other Pupil Services	2,445,148			12,382	2,457,530
Data Processing Services	36,569				36,569
Other General Administration	1,387,190			50,802	1,437,992
Plant Services	2,295,816		544,413	184,310	3,024,539
Facilities Acquisition and Construction	7,300		1,443,071	107,210	1,557,581
Ancillary Services	101,255				101,255
Community Services	43,667			853,799	897,466
Enterprise Activities	609				609
Debt Service:					
Principal Retirement		14,785,000	142,786		14,927,786
Interest and Issuance Costs		2,298,306	120,095		2,418,401
Other Outgo	1,377				1,377
Total Expenditures	29,180,660	17,083,306	2,250,365	3,180,425	51,694,756
Excess of Revenues Over (Under) Expenditures	1,854,630	(15,990,913)	(2,225,110)	151,978	(16,209,415)
Other Financing Sources (Uses)					
Operating Transfers In	171,500		1,729,262	128,000	2,028,762
Operating Transfers Out	(1,729,262)			(299,500)	(2,028,762)
Other Sources		15,980,000			15,980,000
Other Uses		(79,900)			(79,900)
Total Other Financing Sources (Uses)	(1,557,762)	15,900,100	1,729,262	(171,500)	15,900,100
Net Change in Fund Balances	296,868	(90,813)	(495,848)	(19,522)	(309,315)
Fund Balances - July 1, 2012	9,444,692	1,179,151	2,008,494	928,676	13,561,013
Fund Balances - June 30, 2013	$ 9,741,560	$ 1,088,338	$ 1,512,646	$ 909,154	$ 13,251,698

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

RINCON VALLEY UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds		$ (309,315)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Capital Outlay Expenditures	$ 1,866,137	
Depreciation Expense	(1,441,555)	
Net		424,582
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premiums, were:		(15,980,000)
In the statement of activities, certain operating expenses-compensated absences (vacations) are measured by the amounts earned during the fiscal year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year amounts used exceeded amounts earned by:		60,528
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(16,463)
Debt issuance costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issuance costs are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and the issuance costs amortized in the current period are:		
Issuance costs	$ 212,517	
Issuance costs amortized	(35,688)	
Bond discounts	79,900	
Bond discounts amortized	(3,596)	
Bond refunding	1,422,583	
Bond refunding amortized	(64,016)	
Net		1,611,700
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for the repayment of the principal portion of long-term debt in the current period were:		
General Obligation Bonds - Current Interest	$ 14,740,000	
General Obligation Bonds - Capital Appreciation	45,000	
Capital Lease	142,786	
Total		14,927,786
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, interest is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		168,296
Accreted interest: In governmental funds, accreted interest on capital appreciation bonds is recognized as an expenditure in the period that it becomes due. In the government-wide statement of activities, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current period was:		(404,268)
Change in Net Position of Governmental Activities		$ 482,846

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Rincon Valley Union School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Trustees elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1948 and serves students in kindergarten through grade six.

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

The District has reviewed criteria to determine whether other entities should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus.* The criteria include, but are not limited to, whether the District exercises oversight responsibility (including financial accountability); the entity is fiscally dependent on the District, and a financial benefit/burden relationship exists between the entities.

The District has approved a charter for the Rincon Valley Charter School that is operated by the District. Since the District is financially accountable for the fiscally dependent Charter School, and has a financial benefit/burden relationship with the District, the Charter School meets the criteria for inclusion within its financial reporting entity under GASB 61. Accordingly, the financial activities of the Rincon Valley Charter School are presented in the Charter School Fund using the blended component unit method.

The District has also approved charters for Binkley Charter School, Spring Creek/Matanzas Charter School, Village Charter School, and Whited Charter School, which the District does not consider to be separate legal entities for the financial reporting purposes. Accordingly, the financial activities of each of these charter schools are included in the General Fund of the District.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units.*

In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Concluded)

- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

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

B. Implementation of New Accounting Pronouncements

In June of 2011, the Governmental Accounting Standard Board (GASB) issued GASB Statement No. 63 (GASB 63) *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* with required implementation for the District during the year ended June 30, 2013. The objective of GASB 63 is to identify net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance as a result of implementing GASB 63.

C. Basis of Presentation

Government-wide Financial Statements:

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

The effect of interfund activity, within the governmental activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable, when applicable.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

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

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Concluded)

Revenues – Exchange and Non-exchange Transactions (Concluded):

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

Deferred Revenue:

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

Expenses/Expenditures:

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

E. Fund Accounting

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Concluded)

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

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

Major Governmental Fund:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Bond Interest and Redemption Fund is used to account for District taxes received and expended to pay bond interest and redeem bond principal.

Capital Projects - Special Reserve Fund is used to account for funds that have been set aside for current and future capital projects throughout the District.

Non-major Governmental Funds:

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

Child Development Fund is used to account for resources committed to child development programs maintained by the District.

Charter School Fund is used account for revenues received and expenditures made to operate the Rincon Valley Charter School.

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

Building Fund is used to account for resources received from the issuance of bonds to finance school improvement and expansion.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 43.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

G. Use of Estimates

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

H. 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.

I. Assets, Liabilities and Equity

1. Deposits and Investments

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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

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

2. Inventories and Prepaid Expenses

Inventories are recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventories are valued at average cost and consist of expendable supplies held for consumption.

Prepaid expenses include the costs of issuance associated with the certificates of participation issued since the implementation of Governmental Accounting Standards Board Statement No. 34. The costs will be amortized over the life of the certificates of participation obligation.

Reported inventories and prepaid expenses are equally offset by a net position reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

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

Asset Class	Years
Sites and Improvements	20
Buildings and Improvements	10-50
Furniture and Equipment	5-15

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

4. Deferred Revenue

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

5. Compensated Absences

All vacation pay and related labor costs are accrued when incurred in the government-wide financial statements.

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

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. Premiums and discounts as well as issuance costs, when material, are deferred and amortized over the life of the obligation. The obligation is reported net of applicable premiums, discounts, or issuance costs.

In the fund financial statements, governmental funds recognize premiums and discounts as well as issuance costs, during the period when the debt is issued. The face amount of the debt issued, premiums, discounts, or issuance costs is reported as other financing sources or uses.

7. Fund Balance Classification

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

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

7. Fund Balance Classification (Concluded)

Committed Fund Balance consists of funds that are set aside for a specific purpose by the district's highest level of decision making authority (governing board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Assistant Superintendent of Business Services has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the District intends to maintain a Reserve for Economic Uncertainties of at least 15% of the General Fund's annual total expenditures and other financing uses. In the event the fund balance drops below 15%, it shall be recovered at a rate of no less than 1% each year.

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

8. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Assets, Liabilities and Equity (Concluded)

8. Revenue Limit/Property Tax (Concluded)

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

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the District's total entitlement. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, consist of the following:

Cash on Hand and in Banks	$ 5,800
Cash in Revolving Funds	5,500
County Pool Investments	12,808,968
Total Deposits and Investments	$ 12,820,268

Cash on Hand and in Banks

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District, exclusive of amounts held in revolving funds.

Cash in Revolving Funds

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

County Pool Investments

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

General Authorization

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury that purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair value of the District's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Carrying Value	Fair Value	Less Than 1 Year	More Than 1 Year
County Pool Investments	$ 12,808,968	$ 12,707,777	$ 3,784,849	$ 9,024,119

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Credit Risk

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

Investment Type	Carrying Value	Fair Value	Rating as of Year End AAA	Aa	Unrated
County Pool Investments	$ 12,808,968	$ 12,707,777			$ 12,808,968

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the District does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the District.

Custodial Credit Risk - Deposits

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

Custodial Credit Risk - Investments

This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2013, the District does not have any investments that are held by counterparties.

Derivative Investments

The District does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Sonoma County Treasury was not available.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District incurred unanticipated expenditures in excess of appropriations in the following expenditure classifications for which the budget was not revised.

General Fund	Excess Expenditures
Certificated Salaries	$ 4,731
Classified Salaries	46,139

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013 consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 431,927	$ 197,605	$ 629,532
State Government	3,155,272	116,004	3,271,276
Local Governments	1,180,279	45,624	1,225,903
Miscellaneous	3,945	15,372	19,317
Totals	$ 4,771,423	$ 374,605	$ 5,146,028

NOTE 5 - INTERFUND ACTIVITIES

A. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2012-13 were as follows:

Funds	Transfers In	Transfers Out
General	$ 171,500	$ 1,729,262
Capital Projects - Special Reserve	1,729,262	
Child Development		128,000
Charter School		61,500
Capital Facilities		110,000
Building	128,000	
Totals	$ 2,028,762	$ 2,028,762

Transfer $1,729,262 from General Fund to the Capital Projects - Special Reserve Fund to provide funding for current and future capital projects throughout the District.

Transfer $61,500 from Charter School Fund to General Fund to pay for business oversight fee and reimburse various operating expenditures.

Transfer $128,000 from Child Development Fund to Building Fund to pay rent for facilities utilized by the daycare program.

Transfer $110,000 from Capital Facilities Fund to General Fund to provide funding to make the required capital lease debt service payment.

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

B. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2013 are as follows:

Funds	Interfund Receivables	Interfund Payables
General	$ 41,515	$ 350,000
Capital Projects - Special Reserve	350,000	
Cafeteria	1,675	41,515
Child Development		1,675
Totals	$ 393,190	$ 393,190

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

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
Land	$ 1,122,383			$ 1,122,383
Sites and Improvements	2,042,438	$ 109,203		2,151,641
Buildings and Improvements	42,613,594	846,342		43,459,936
Furniture and Equipment	1,252,164	308,556		1,560,720
Work-in-Progress	138,473	729,509	$ 127,473	740,509
Totals at Historical Cost	47,169,052	1,993,610	127,473	49,035,189
Less Accumulated Depreciation for:				
Sites and Improvements	805,958	77,847		883,805
Buildings and Improvements	12,469,915	1,274,759		13,744,674
Furniture and Equipment	884,140	88,949		973,089
Total Accumulated Depreciation	14,160,013	1,441,555	0	15,601,568
Governmental Activities Capital Assets, net	$ 33,009,039	$ 552,055	$ 127,473	$ 33,433,621

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 900,607
Instruction-Related Services	145,405
Pupil Services	190,056
General Administration	66,799
Plant Services	138,688
Total Depreciation Expense	$ 1,441,555

NOTE 7 - GENERAL OBLIGATION BONDS

On June 3, 2004, the District issued $16.5 million of general obligation bonds with interest rates ranging from 3.5 to 6.75 percent. On May 19, 2005, the District issued $7,399,008 of general obligation bonds with interest rates ranging from 3.04 to 11.75 percent. Both of these bond issues were authorized at an election held on March 2, 2004, whereby the requisite 55% of the voters of the District approved the sale of up to $23.9 million of general obligation bonds to provide funding to modernize older classrooms, including upgrading outdated electrical, fire safety, plumbing and heating systems; repair leaking roofs and replace windows; add kindergarten and other classrooms; build modern libraries/technology centers; and improve drainage, campus safety and handicapped access.

On September 26, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of $15,980,000, with an interest rate of 2.25 percent. The bonds were issued to defease the outstanding Election of 2004, General Obligation Bonds, Series 2004 that were scheduled to mature on August 1, 2015 through June 1, 2029. Principal and interest payments due on the 2012 Refunding Bonds will be paid semiannually on August 1, and February 1 of each year until fully defeased on June 1, 2029. The refunding process is expected to generate net present value savings of $2,403,961.

The outstanding general obligation debt of the District as of June 30, 2013 is as follows:

A. Current Interest Bonds

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013
2004	3.50-6.75	2029	$ 16,500,000	$ 15,540,000		$14,625,000	$ 915,000
2005	5.00	2037	1,940,000	1,940,000			1,940,000
2012	2.25	2029	15,980,000	0	$15,980,000	115,000	15,865,000
Totals			$ 34,420,000	$ 17,480,000	$15,980,000	$14,740,000	$ 18,720,000

The annual requirements to amortize the current interest bonds payable, outstanding as of June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 835,000	$ 496,025	$ 1,331,025
2015	975,000	459,425	1,434,425
2016	800,000	429,438	1,229,438
2017	805,000	411,100	1,216,100
2018	805,000	393,269	1,198,269
2019-2023	4,900,000	1,664,169	6,564,169
2024-2028	6,775,000	1,023,763	7,798,763
2029-2033	885,000	496,419	1,381,419
2034-2038	1,940,000	299,750	2,239,750
Totals	$ 18,720,000	$ 5,673,358	$ 24,393,358

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

Date Of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2013
2005	3.04-11.75	2036	$ 5,459,008	$ 7,575,980	$ 404,268	$ 45,000	$ 7,935,248

The outstanding obligation for the Series 2005 capital appreciation bonds at June 30, 2013, is as follows:

Year Ended June 30	Rate %	Amount of Original Issue (Principal)	Accreted Interest	Totals
2014	4.03	$ 36,048	$ 13,787	$ 49,835
2015	4.18	41,007	16,365	57,372
2016	4.33	45,220	18,805	64,025
2017	4.46	45,762	19,703	65,465
2018	4.58	112,228	49,858	162,086
2019-2023	4.74-4.96	595,215	283,377	878,592
2024-2028	5.01-5.20	588,136	297,547	885,683
2029-2033	5.23-5.30	2,513,872	1,322,556	3,836,428
2034-2038	5.31-11.75	1,224,381	711,381	1,935,762
Totals		$ 5,201,869	$ 2,733,379	$ 7,935,248

The annual requirements to amortize the Series 2005 capital appreciation bonds at June 30, 2013, are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 36,048	$ 13,952	$ 50,000
2015	41,007	18,993	60,000
2016	45,220	24,780	70,000
2017	45,762	29,238	75,000
2018	112,228	82,772	195,000
2019-2023	595,215	644,785	1,240,000
2024-2028	588,136	1,046,864	1,635,000
2029-2033	2,513,872	7,046,128	9,560,000
2034-2038	1,224,381	5,965,619	7,190,000
Totals	$ 5,201,869	$ 14,873,131	$ 20,075,000

NOTE 8 - CAPITAL LEASE

On December 1, 2009, the District entered into an adjustable rate lease purchase agreement with the Public Agency Finance Corporation in the amount of $3,735,000, with an initial interest rate of 3.57% per annum. On December 1, 2014, December 1, 2019, and on December 1, 2024, the interest rate on any such maturities shall be adjusted to equal 85% of the Seattle Federal Home Loan Bank 5 Year Advance Rate. The District used the proceeds to redeem the 2003 Series L certificates of participation.

Future estimated debt service payments based on the current interest rate are as follows:

Year Ended June 30	Principal	Interest	Totals
2014	$ 147,929	$ 114,952	$ 262,881
2015	149,667	80,887	230,554
2016	182,011	48,542	230,553
2017	185,056	45,497	230,553
2018	188,152	42,401	230,553
2019-2023	989,042	163,724	1,152,766
2024-2028	1,074,588	78,179	1,152,767
2029-2033	340,147	5,682	345,829
Totals	$ 3,256,592	$ 579,864	$ 3,836,456

NOTE 9 - OPERATING LEASES

The District has entered into various operating leases related to capital improvement projects with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration dates.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

Plan Descriptions: The District provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS). The benefits provided to eligible retirees are presented on the following table:

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Descriptions (Concluded):

	Certificated hired before 6/30/86	Classified	Management hired before 6/14/88**
Duration of Benefits	To age 65 ***	To age 65	To age 65 *
Required Service	20 years ***	5 years	20 years *
Minimum age	55 years	55 years	55 years
Dependent Coverage	Yes ***	Yes	Yes *
District Contribution %	100%	100%	100%
District Cap	Active cap	100% of active cap at 15 years of service; 5 to15 years of service, prorated	Active cap

* At 20 years of service, employee only coverage to age 65; at 25 years of service, a choice of employee only coverage to age 70 or employee plus dependent coverage to age 65.

** Supervisors and confidential employees hired before 6/14/88 were also eligible for paid benefits, but there are no remaining active employees who may qualify.

*** At 20 years of service, employee plus one dependent coverage to age 65; at 25 years of service, a choice of employee only coverage to age 70 or employee plus dependent coverage to age 65.

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

The District had 167 active employees and 32 retired employees covered under the OPEB plan as of February 1, 2013, the effective date of the triennial OPEB valuation. For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB Obligation for the year ended June 30, 2013.

Annual required contribution (ARC)	$ 232,334
Interest on Net OPEB Obligation	(264)
Adjustment to ARC	234
Annual OPEB cost (expense)	232,304
Contributions for the fiscal year	215,841
Decrease in Net OPEB Obligation	16,463
Net OPEB (Asset) - June 30, 2012	(5,275)
Net OPEB Obligation - June 30, 2013	$ 11,188

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB Obligation/(Asset) for the last three fiscal years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation/(Asset)
June 30, 2013	$ 232,304	92.9%	$ 11,188
June 30, 2012	207,128	(113.5)%	(5,275)
June 30, 2011	213,372	102.8%	22,762

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the February 1, 2013, actuarial valuation, the liabilities were computed using the entry age normal method and the District's unfunded actuarial accrued liability (UAAL) is being amortized using a level percentage of payroll method. A closed 30 year amortization period was used for the initial UAAL and an open 30 year amortization period was used for any residual UAAL. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on District assets. The compensation increase rate of 3% was provided by the District and based on historical data. The valuation assumes a 4% healthcare cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin. The valuation assumed a 100% participation rate and assumes 80% of the retirees to be married at retirement; after retirement, the percentage married was adjusted to reflect mortality.

NOTE 11 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2013, is shown below:

	Balances July 1, 2012	Additions	Deductions	Balances June 30, 2013	Due within One Year
Compensated Absences	$ 205,127	$ 144,599	$ 205,127	$ 144,599	$ 144,599
General Obligation Bonds:					
Current Interest	17,480,000	15,980,000	14,740,000	18,720,000	835,000
Capital Appreciation	7,575,980	404,268	45,000	7,935,248	49,835
Capital Lease	3,399,378		142,786	3,256,592	147,929
Other Post Employment Benefits	0	227,029	215,841	11,188	
Totals	$ 28,660,485	$ 16,755,896	$ 15,348,754	$ 30,067,627	$ 1,177,363

NOTE 12 - FUND BALANCES

The District's fund balances at June 30, 2013 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Capital Projects - Special Reserve Fund	Non-major Governmental Funds	Totals
Nonspendable	$ 11,623			$ 10,336	$ 21,959
Restricted	248,618	$ 1,088,338		308,810	1,645,766
Assigned			$ 1,512,646	590,008	2,102,654
Unassigned:					
Economic Uncertainties	4,636,488				4,636,488
Other	4,844,831				4,844,831
Total Fund Balances	$ 9,741,560	$ 1,088,338	$ 1,512,646	$ 909,154	$ 13,251,698

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were $1,157,330, $1,082,001, and $1,086,816, respectively, and equal 100% of the required contributions for each year.

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012, and 2011, were $574,863, $454,198, and $463,393, respectively, and equal 100% of the required contributions for each year.

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. The District contributes 6.2% of an employee's gross earnings. In addition, the employees were required to contribute 4.2% of their gross earnings from July 2012 through December 2012, and 6.2% from January 2013 through June 2013.

NOTE 14 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to the California State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of $744,391 to CalSTRS (5.1755% of creditable compensation subject to CalSTRS).

NOTE 15 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012-13, the District participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 16 - JOINT VENTURE

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

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

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. Questioned Costs

As discussed in **Finding 13-1**, in the Findings and Questioned Costs Section of this report, the District did not comply with the requirements of Education Code Section 47605(l), which resulted in questioned costs of $345,231. The District plans to appeal the finding, in an effort to eliminate or significantly reduce the excessive penalties associated with this non-compliance. Since there is no way to determine the outcome of the District's attempt to resolve this issue through the audit appeals process, these financial statements do not contain any adjustments as a result of the finding noted above.

B. State and Federal Allowances, Awards and Grants

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Litigation

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

NOTE 18 - ECONOMIC DEPENDENCY

During the 2012-13 fiscal year, the District received $979,025 of parcel tax revenue that is subject to voter approval. The parcel tax is used to support various District programs and expires in fiscal year 2017-18.

NOTE 19 - SUBSEQUENT EVENTS

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 6, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Rincon Valley Union School District (the "District") in connection with the issuance of $_____________ of the District's Election of 2014 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated August 12, 2014. The District covenants and agrees as follows:

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

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Dissemination Agent" shall mean initially California Financial Services, Santa Rosa, California, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the registered owner of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean Piper Jaffray & Co., or any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2013-14 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the 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 the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repository to which it was provided.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior 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 filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding and property tax revenues received by the District for the last completed fiscal year;

(b) Average Daily Attendance of the District for each grade span then-accounted for by the State for the last completed fiscal year and, only for those fiscal years in which the District is not a basic aid district, the District's percentage of limited English proficiency ("EL" students) and students from low income families that are eligible for free or reduced priced meals ("LI" students);

(c) Outstanding indebtedness as of the last completed fiscal year;

(d) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) Assessed valuation of taxable property within the District, for the current completed fiscal year; and

(f) Secured *ad valorem* tax charges and delinquencies within the District, to the extent that the County is no longer on the Teeter Plan.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the 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 the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure

Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: October 23, 2014

RINCON VALLEY UNION SCHOOL DISTRICT

By: ____
Deputy Superintendent

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: RINCON VALLEY UNION SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series A

Date of Issuance: October 23, 2014

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

RINCON VALLEY UNION SCHOOL DISTRICT

By ____[form only; no signature required]_____

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

ECONOMIC PROFILE OF THE CITY OF SANTA ROSA AND SONOMA COUNTY

The following material is descriptive of Sonoma County (the "County") and the City of Santa Rosa (the "City"). Information in this Appendix has been assembled from various sources believed to be reliable; however, the District does not warrant the accuracy or thoroughness of this information.

Sonoma County. The County is the northernmost of the nine counties that comprise the greater metropolitan San Francisco Bay Area. The County encompasses 1,598 square miles and is bordered on the south by Marin County and San Pablo Bay (a branch of San Francisco Bay), on the north by Mendocino County, on the east by Lake and Napa counties, and on the west by the Pacific Ocean. Renowned for its agriculture and natural beauty, the County's beaches, vineyards and redwood forests attract many visitors throughout the year. The County is a general law county, governed by a five-member Board of Supervisors.

City of Santa Rosa. The City is located in central Sonoma County and covers an area of approximately 35 square miles. Incorporated in 1868, the City is the county seat and operates under a council-manager form of government. The City Council is comprised of five elected members that appoint a City Manager and act the city's legislative and policy-making body.

Population

The following table lists population estimates for the County, City and the State of California (the "State") for years 2002 through 2014.

POPULATION ESTIMATES
City of Santa Rosa, Sonoma County, and State of California
2002 through 2014

	City of Santa Rosa		Sonoma County		State of California	
Year(1)	Population	% Change	Population	% Change	Population	% Change
2002	152,461	--	465,726	--	34,725,516	--
2003	154,855	1.6%	467,139	0.3%	35,163,609	1.3
2004	156,245	0.9	469,103	0.4	35,570,847	1.2
2005	157,175	0.6	469,734	0.1	35,869,173	0.8
2006	158,365	0.8	469,751	0.0	36,116,202	0.7
2007	159,716	0.9	471,479	0.4	36,399,676	0.8
2008	162,657	1.8	474,819	0.7	36,704,375	0.8
2009	165,405	1.7	478,622	0.8	36,966,713	0.7
2010(2)	167,815	1.5	483,878	1.1	37,253,956	0.8
2011	168,034	0.1	485,082	0.2	37,427,946	0.5
2012	169,069	0.6	487,671	0.5	37,668,804	0.6
2013	169,452	0.2	488,580	0.2	37,984,138	0.8
2014	170,236	0.5	490,486	0.4	38,340,074	0.9

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2002-09, 2011-14 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following tables show the per capita personal income for the City and the County for years 2005 through 2012, and the State and United States from 2005 through 2013.

PER CAPITA PERSONAL INCOME
City of Santa Rosa, Sonoma County, State of California, and United States
2005 through 2013

Year	City of Santa Rosa	Sonoma County	California	United States
2005	$42,375	$42,375	$38,969	$35,888
2006	45,688	45,688	41,627	38,127
2007	47,194	47,194	43,157	39,804
2008	46,225	46,225	43,609	40,873
2009	43,076	43,076	41,569	39,357
2010	43,482	43,482	42,297	40,163
2011	45,805	45,805	44,666	42,298
2012	47,879	47,879	46,477	43,735
2013	N/A	N/A	47,401	44,543

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Retail Trade

The following tables summarize taxable sales in the County and City from 2007 through 2012.

TAXABLE SALES
Sonoma County
2007 through 2012
(Dollars in Thousands)

	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Taxable Transactions
2007	6,352	$5,404,597	17,638	$7,877,195
2008	6,581	5,009,164	17,764	7,369,109
2009	10,645	4,413,001	16,810	6,263,829
2010	10,997	4,583,801	17,303	6,485,950
2011	10,799	4,895,477	16,972	6,962,114
2012	11,105	5,228,062	17,311	7,382,997

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

TAXABLE SALES
City of Santa Rosa
2007 through 2012
(Dollars in Thousands)

	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Taxable Transactions
2007	2,067	$2,429,588	4,995	$2,945,933
2008	2,089	2,216,633	4,971	2,705,824
2009	2,928	1,944,429	4,596	2,326,477
2010	3,073	2,024,800	4,778	2,414,077
2011	3,047	2,164,876	4,710	2,616,018
2012	3,152	2,274,177	4,837	2,744,427

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Construction Activity

The following tables summarize new building permits and valuations in the County and City for calendar years 2009 through 2013.

BUILDING PERMITS AND VALUATIONS
Sonoma County
2009 through 2013

Valuation ($000)	2009	2010	2011	2012	2013
Residential	$144,097	$142,778	$180,575	$173,113	$201,754
Non-Residential	68,579	90,035	94,150	117,709	121,896
TOTAL[1]	$212,676	$232,814	$274,725	$290,822	$323,650
New Dwelling Units					
Single Family	359	280	443	279	295
Multiple Family	71	190	184	318	732
TOTAL[1]	430	470	627	597	1,027

[1] Columns may not add to totals due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Santa Rosa
2009 through 2013

Valuation ($000)	2009	2010	2011	2012	2013
Residential	$29,073	$44,520	$78,864	$61,156	$89,756
Non-Residential	22,253	44,016	16,152	45,083	40,091
TOTAL[1]	$51,326	$88,536	$95,016	$106,239	$129,847
New Dwelling Units					
Single Family	94	86	184	103	125
Multiple Family	0	138	71	144	359
TOTAL[1]	94	224	255	247	484

[1] Columns may not add to totals due to rounding.
Source: Construction Industry Research Board.

Employment

The following table summarizes civilian labor force, employment and unemployment statistics for the City, the County and the State from 2007 through 2013.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Santa Rosa, Sonoma County, and State of California
2007 through 2013[1]

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2007	City of Santa Rosa	81,900	78,300	3,500	4.3%
	Sonoma County	257,700	246,500	11,200	4.3
	State of California	17,921,000	16,960,700	960,300	5.4
2008	City of Santa Rosa	82,600	77,900	4,700	5.7%
	Sonoma County	260,100	245,200	14,900	5.7
	State of California	18,203,100	16,890,000	1,313,100	7.2
2009	City of Santa Rosa	81,500	73,700	7,800	9.6%
	Sonoma County	256,700	232,000	24,700	9.6
	State of California	18,220,100	16,155,000	2,065,100	11.3
2010	City of Santa Rosa	80,900	72,400	8,500	10.5%
	Sonoma County	254,800	227,900	26,800	10.5
	State of California	18,336,300	16,068,400	2,267,900	12.4
2011	City of Santa Rosa	81,600	73,600	8,000	9.8%
	Sonoma County	257,000	231,800	25,200	9.8
	State of California	18,417,900	16,249,600	2,168,300	11.8
2012	City of Santa Rosa	82,100	75,100	6,900	8.5%
	Sonoma County	258,400	236,500	21,900	8.5
	State of California	18,519,000	16,589,700	1,929,300	10.4
2013	City of Santa Rosa	82,700	77,200	5,500	6.7%
	Sonoma County	260,400	242,900	17,500	6.7
	State of California	18,596,800	16,933,300	1,663,500	8.9

(1) Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: California Employment Development Department. March 2014 Benchmark.

Industry

The following table summarizes the annual average industry employment for the County from 2009 through 2013.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Sonoma County
2009 though 2013

	2009	2010	2011	2012	2013
Farm	5,800	5,700	5,800	6,000	6,300
Mining and Logging	200	200	200	200	200
Construction	9,800	8,900	8,600	8,800	9,800
Manufacturing	20,200	19,900	20,200	19,600	20,000
Wholesale Trade	6,800	6,600	6,600	6,900	7,300
Retail Trade	21,500	21,500	22,000	22,700	23,500
Transportation, Warehousing and Utilities	4,000	3,900	3,800	3,900	4,200
Information	2,600	2,500	2,500	2,600	2,600
Financial Activities	7,800	7,700	7,600	7,400	7,400
Professional and Business Services	18,300	18,800	18,000	18,100	18,900
Education and Health Services	27,100	27,100	27,300	28,800	29,900
Leisure and Hospitality	20,100	20,100	20,500	21,800	22,600
Other Services	6,100	5,900	6,100	6,300	6,600
Government	29,200	26,800	28,400	28,000	29,400
Total All Industries	179,200	175,500	177,500	181,000	188,700

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2013 Benchmark.

Largest Employers

The following tables list the largest employers in the County and City as of June 30, 2013.

LARGEST EMPLOYERS
Sonoma County
June 30, 2013

	Employer	Description	Number of Employees
1.	Sonoma County	County Government	3,925
2.	Kaiser Permanente	Hospital and healthcare	2,827
3.	Santa Rosa Junior College	Post-secondary and continuing education	13,805
4.	Graton Resort and Casino	Tourism and gaming	2,000
5.	Sutter Medical Center	Hospital and healthcare	1,797
6.	St. Joseph's Health System	Hospital and healthcare	1,467
7.	Santa Rosa City Schools	Primary & Secondary Education	1,352
8.	City of Santa Rosa	City government	1,199
9.	Agilent Technologies	Electrical device manufacturing	6,147
10.	Sonoma State University	Higher education	6,000

Source: Sonoma County 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

LARGEST EMPLOYERS
City of Santa Rosa
June 30, 2013

	Employer	Description	Number of Employees
1.	Sonoma County	County Government	3,925
2.	Kaiser Permanente	Hospital and healthcare	2,827
3.	Sutter Medical Center of Santa Rosa	Hospital and healthcare	1,797
4.	St. Joseph Health System	Hospital and healthcare	1,467
5.	Santa Rosa Junior College	Post-secondary and continuing education	1,391
6.	Santa Rosa City Schools	Primary & Secondary Education	1,352
7.	City of Santa Rosa	City government	1,199
8.	Agilent Technologies	Electrical device manufacturing	1,175
9.	Amy's Kitchen	Frozen food manufacturer	872
10.	Medtronic/Arterial Vascular Engineer	Medical equipment manufacturing	840

Source: City of Santa Rosa 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

APPENDIX E

SONOMA COUNTY INVESTMENT POOL

The following information concerning the Sonoma County (the "County") Investment Pool (the "Investment Pool") has been provided by the Treasurer-Tax-Collector of the County (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at http://sonoma-county.org/tax/; however, the information presented on such website is not incorporated herein by any reference.

[REMAINDER OF PAGE LEFT BLANK]

(THIS PAGE INTENTIONALLY LEFT BLANK)

QUARTERLY REPORT AND CERTIFICATION
OF THE COUNTY TREASURER
For Quarter Ending June 30, 2014

The Government Code requires the County Treasurer to render a Quarterly Report to the County Administrator, the Board of Supervisors, the County Auditor, the Treasury Oversight Committee, and the participants of the Treasury Pool.

The Quarterly Report shall state compliance of the portfolio to the County Investment Policy and denote the ability of the pool to meet its pool's expenditures for the next six months, or provide an explanation as to why sufficient money shall or may not be available.

COMPLIANCE CERTIFICATION

I certify that the investments of the Sonoma County Investment Pool are in compliance with the County Investment Policy.

I further certify that the pool has sufficient cash flow available to meet all budgeted expenditure requirements for the next six months.

David E. Sundstrom
Treasurer
County of Sonoma

SONOMA COUNTY POOLED INVESTMENT PROGRAM
For Quarter Ending June 30, 2014

BEGINNING FUND BALANCE (4/01/2014)	$1,527,675,837
ENDING FUND BALANCE	$1,493,018,401
AVERAGE DAILY FUND BALANCE	$1,613,788,094
TOTAL INTEREST EARNED (after fees)	$1,975,822
INTEREST RATE (after fees)	0.491
INTEREST RATE (before fees)	0.609

TOTAL FUNDS MANAGED BY TREASURY

TOTAL TREASURY BALANCE (including deferred compensation, tobacco endowment, special TRAN investments, active bank accounts and money in transit)	$1,825,054,477

SONOMA COUNTY QUARTERLY INVESTMENT REPORT
For Quarter Ending June 30, 2014

INVESTMENT POOL YIELD:

The yield during this quarter is .609% before fees and .491% after fees.

MARKET VALUE:

The market value of the portfolio as of June 30, 2014, is at 99.82% of cost. The market values are up from the last Quarterly Report. Market values were obtained from SunGard Financial Systems and Bloomberg.

REVERSE REPURCHASE AGREEMENTS:

The pool has no reverse repurchase agreements.

WEIGHTED AVERAGE MATURITY:

The weighted average days to maturity is 791 days.

Excluding SCEIP investments, the weighted average days to maturity is 679 days.

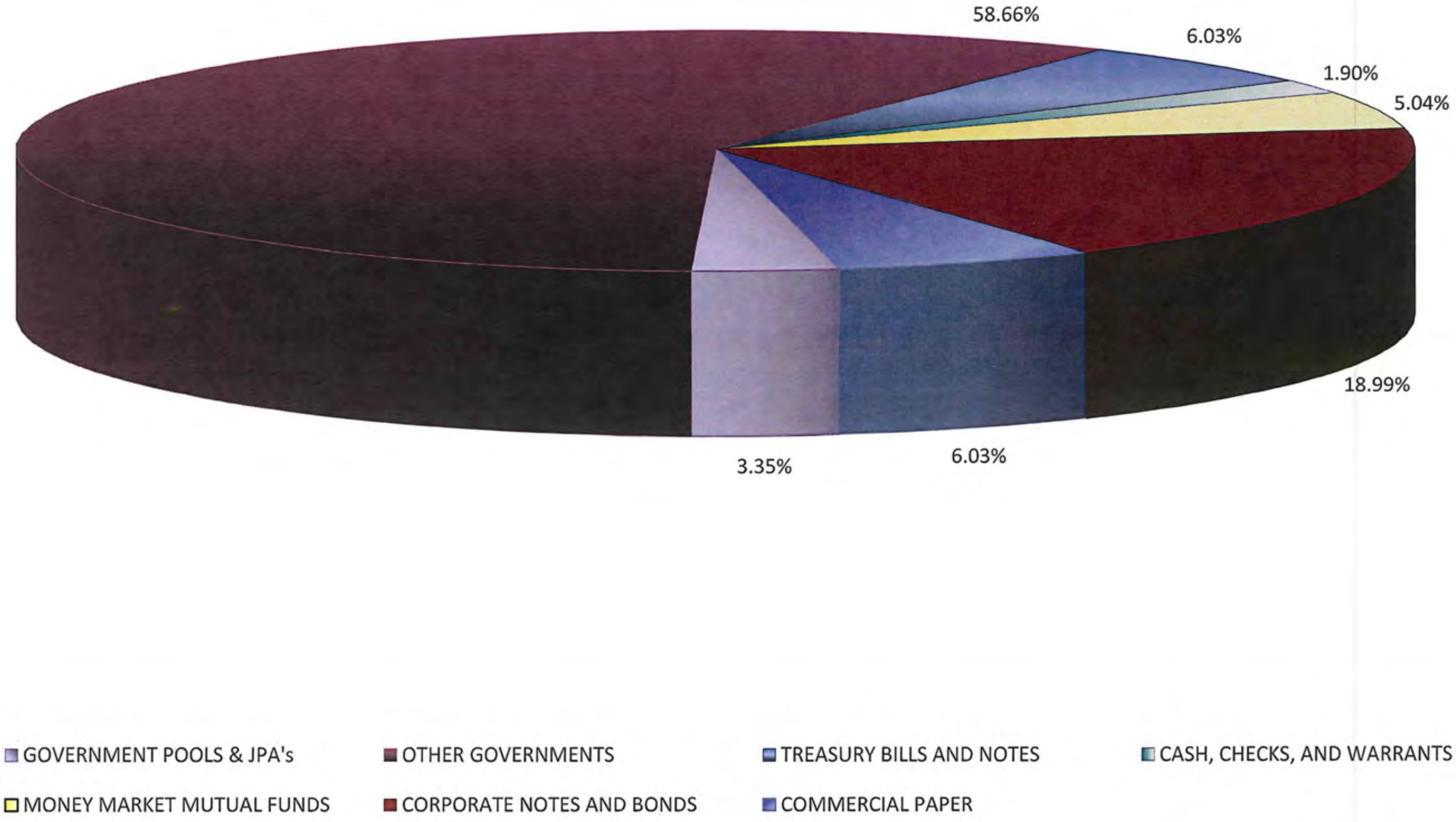
CHARTS:

Chart 1:	The composition of the Investment Pool by the type of investment.
Chart 2:	Interest earnings of the Sonoma County Investment Pool compared to FED FUNDS and Local Agency Investment Fund.

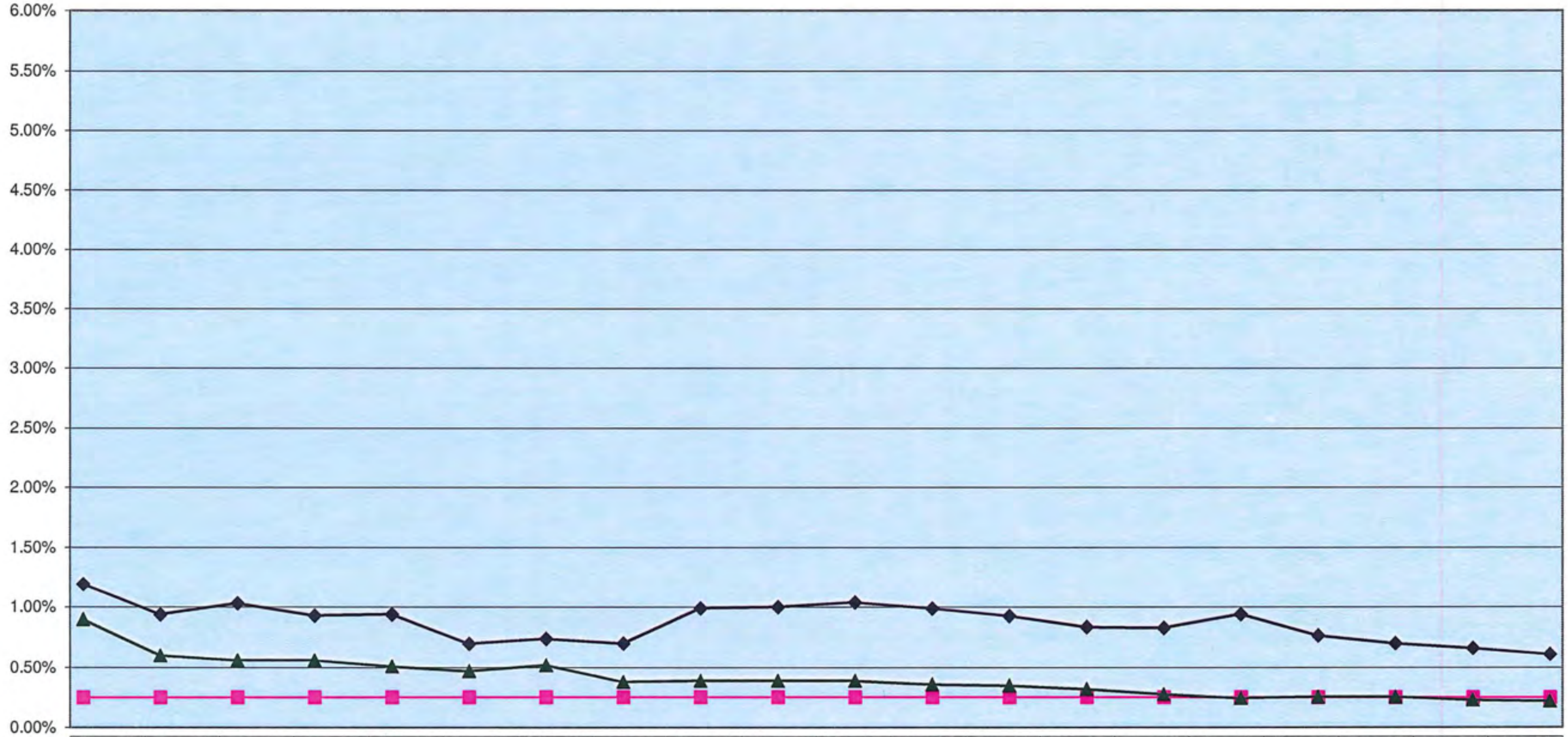
DETAILED LISTING OF INVESTMENTS:

A detailed listing of all investments for the Pooled Investment Fund is located at the end of this report.

SONOMA COUNTY'S POOLED INVESTMENTS AS OF 6/30/2014



SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Pool	1.19%	0.94%	1.03%	0.93%	0.94%	0.70%	0.74%	0.70%	0.99%	1.00%	1.04%	0.99%	0.93%	0.83%	0.83%	0.94%	0.77%	0.70%	0.66%	0.61%
Fed Fund	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
LAIF	0.90%	0.60%	0.56%	0.56%	0.51%	0.47%	0.52%	0.38%	0.39%	0.39%	0.39%	0.36%	0.35%	0.32%	0.28%	0.24%	0.26%	0.26%	0.23%	0.22%

*This does not include special TRAN investments & deferred compensation
Source: County of Sonoma, Office of the Auditor-Controller-Treasurer-Tax Collector

SONOMA COUNTY POOLED INVESTMENTS
AS OF 6/30/2014

	BOOK VALUE
CHECKS AND WARRANTS IN TRANSIT	$1,858,280
CASH IN VAULT	$171,239
CASH IN BANK	$26,427,205
TREASURY BILLS AND NOTES	$90,093,697
BANKERS ACCEPTANCES	$0
OTHER GOVERNMENTS	$875,763,458
COMMERCIAL PAPER	$90,000,000
CORPORATE BONDS AND NOTES	$283,503,141
NEGOTIABLE CERTIFICATES OF DEPOSIT	$0
OTHER GOVERNMENT POOLS AND JPA'S	$49,955,135
MONEY MARKET MUTUAL FUNDS	$75,246,247
TOTAL	$1,493,018,401

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF JUNE 30, 2014

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
TREASURY NOTES	07/31/2014	11/04/2013	2.62500	.11798	10,000,000.00	10,020,649.39
TREASURY NOTES	07/31/2014	11/04/2013	2.62500	.11798	10,000,000.00	10,020,649.39
TREASURY NOTES	07/31/2014	11/26/2013	2.62500	.12748	15,000,000.00	15,030,886.26
TREASURY NOTES	07/31/2014	11/26/2013	2.62500	.12748	10,000,000.00	10,020,590.84
TREASURY NOTES	05/15/2015	11/27/2012	.25000	.31363	15,000,000.00	14,991,709.55
TREASURY NOTES	06/15/2015	11/27/2012	.37500	.32110	15,000,000.00	15,007,695.96
TREASURY NOTES	07/31/2015	11/27/2013	.25000	.24065	15,000,000.00	15,001,515.20
SUBTOTAL TREASURY BILLS AND NOTES		**6.03%**			**90,000,000.00**	**90,093,696.59**
GRRCD NOTE	08/15/2014	05/19/2014	1.20000	1.20000	750,000.00	750,000.00
SCEIP 2009A-5	09/02/2014	08/03/2009	3.00000	3.00000	327.75	327.75
SCEIP 2009B-5	09/02/2014	09/01/2009	3.00000	3.00000	747.67	747.67
FEDERAL FARM CREDIT BANK	11/04/2014	12/04/2013	.16000	.16000	10,000,000.00	10,000,000.00
2013 SERIES A	11/15/2014	08/28/2013	.42000	.42000	1,665,000.00	1,665,000.00
2013 SERIES B	11/15/2014	08/28/2013	.42000	.42000	430,000.00	430,000.00
FEDERAL HOME LOAN BANK	01/16/2015	04/16/2014	.11000	.12228	15,000,000.00	14,999,001.38
FEDERAL HOME LOAN BANK	02/18/2015	12/12/2013	.21000	.21509	10,000,000.00	9,999,678.53
FEDERAL HOME LOAN BANK	02/26/2015	02/26/2014	.21000	.21000	5,000,000.00	5,000,000.00
AIRPORT NOTE 2015-1	03/31/2015	03/31/2014	1.40000	1.40000	1,000,000.00	1,000,000.00
FHLMC	04/17/2015	12/06/2013	.50000	.20032	10,000,000.00	10,023,806.83
FEDERAL HOME LOAN BANK	04/24/2015	03/26/2014	.20000	.20000	10,000,000.00	10,000,000.00
FAIR 2014-1	06/15/2015	06/30/2014	1.40000	1.40000	1,000,000.00	1,000,000.00
HRMS 2014-1	06/15/2015	06/30/2014	1.40000	1.40000	875,000.00	875,000.00
FEDERAL FARM CREDIT BANK	06/18/2015	12/18/2013	.25000	.25000	5,000,000.00	5,000,000.00
SCEIP 2009C-5	09/02/2015	11/02/2009	3.00000	3.00000	10,011.88	10,011.88
SCEIP 2009D-5	09/02/2015	12/01/2009	3.00000	3.00000	1,063.89	1,063.89
SCEIP 2010A-5	09/02/2015	01/04/2010	3.00000	3.00000	5,751.55	5,751.55
SCEIP 2010B-5	09/02/2015	03/01/2010	3.00000	3.00000	23,713.52	23,713.52
SCEIP 2010C-5	09/02/2015	04/01/2010	3.00000	3.00000	3,867.79	3,867.79
SCEIP 2010D-5	09/02/2015	06/30/2010	3.00000	3.00000	1,703.96	1,703.96
FEDERAL NATL MTG ASSN	10/09/2015	11/13/2013	.48000	.38456	8,500,000.00	8,510,293.55
FEDERAL FARM CREDIT BANK	10/15/2015	12/26/2012	.42000	.42000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	10/15/2015	04/15/2013	.32000	.36022	10,000,000.00	9,994,841.20
FEDERAL FARM CREDIT BANK	11/04/2015	11/22/2013	.35000	.30624	5,000,000.00	5,002,930.84
2013 SERIES A	11/15/2015	08/28/2013	.75000	.75000	1,680,000.00	1,680,000.00
2013 SERIES B	11/15/2015	08/28/2013	.75000	.75000	435,000.00	435,000.00
FEDERAL FARM CREDIT BANK	12/23/2015	12/23/2013	.35000	.38768	10,000,000.00	9,994,452.05
FEDERAL FARM CREDIT BANK	01/19/2016	04/19/2013	.34000	.34000	7,000,000.00	7,000,000.00
FHLMC	01/28/2016	12/06/2013	.50000	.40668	10,000,000.00	10,014,639.08
FEDERAL FARM CREDIT BANK	02/01/2016	04/11/2013	.40000	.40000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	03/24/2016	03/24/2014	.45000	.45000	5,000,000.00	5,000,000.00
FHLMC	04/04/2016	10/04/2012	.60000	.60000	5,850,000.00	5,850,000.00
FEDERAL NATL MTG ASSN	04/18/2016	11/21/2013	.55000	.52906	5,000,000.00	5,001,868.60
FEDERAL FARM CREDIT BANK	04/20/2016	04/20/2011	.22300	.22815	10,000,000.00	9,999,098.24
FEDERAL HOME LOAN BANK	04/22/2016	04/22/2013	.47000	.47000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	04/29/2016	12/06/2013	.62500	.49473	10,000,000.00	10,023,666.27
FEDERAL FARM CREDIT BANK	05/02/2016	08/02/2012	.59000	.61708	10,000,000.00	9,995,084.49
FEDERAL NATL MTG ASSN	05/20/2016	11/20/2013	.50000	.51008	3,000,000.00	2,999,433.38
FHLMC	06/17/2016	03/17/2014	.50000	.50000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/27/2016	09/27/2012	.59000	.59000	5,000,000.00	5,000,000.00
FEDERAL FARM CREDIT BANK	06/27/2016	09/28/2012	.59000	.59000	15,650,000.00	15,650,000.00
FHLMC	06/27/2016	12/27/2013	.50000	.52016	5,000,000.00	4,998,009.31
FHLMC	06/27/2016	12/27/2013	.52000	.52000	5,000,000.00	5,000,000.00
FHLMC	06/27/2016	12/27/2013	.50000	.50000	5,000,000.00	5,000,000.00

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF JUNE 30, 2014

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FHLMC	06/30/2016	03/28/2014	.62500	.63624	10,000,000.00	9,997,787.88
FHLMC	06/30/2016	03/28/2014	.62500	.63624	5,000,000.00	4,998,893.93
FEDERAL NATL MTG ASSN	07/05/2016	01/09/2014	.37500	.60528	5,000,000.00	4,977,219.34
FEDERAL HOME LOAN BANK	07/15/2016	04/15/2013	.55000	.55625	10,000,000.00	9,998,744.73
FEDERAL NATL MTG ASSN	08/15/2016	02/15/2013	.60000	.62893	10,000,000.00	9,993,923.28
FHLMC	08/26/2016	05/30/2014	.58000	.58000	5,000,000.00	5,000,000.00
AIRPORT NOTE 2014-1	09/10/2016	09/19/2013	1.60000	1.60000	3,500,000.00	3,500,000.00
FHLMC	09/14/2016	03/14/2013	.65000	.65000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	09/26/2016	09/27/2012	.68000	.68000	12,875,000.00	12,875,000.00
FEDERAL NATL MTG ASSN	09/26/2016	03/26/2013	.65000	.65000	10,000,000.00	10,000,000.00
FHLMC	09/27/2016	03/27/2014	.72500	.72500	12,000,000.00	12,000,000.00
FEDERAL HOME LOAN BANK	10/03/2016	04/03/2013	.64000	.64000	11,750,000.00	11,750,000.00
FEDERAL HOME LOAN BANK	10/11/2016	04/11/2013	.62500	.62500	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	10/17/2016	11/30/2012	.62500	.62500	14,795,000.00	14,795,000.00
FEDERAL HOME LOAN BANK	10/24/2016	11/09/2012	.62500	.63140	10,000,000.00	9,998,536.28
FEDERAL HOME LOAN BANK	10/25/2016	01/25/2013	.65000	.65000	6,530,000.00	6,530,000.00
FHLMC	11/14/2016	05/12/2014	.80000	.80000	10,000,000.00	10,000,000.00
2013 SERIES A	11/15/2016	08/28/2013	1.14000	1.14000	1,695,000.00	1,695,000.00
2013 SERIES B	11/15/2016	08/28/2013	1.14000	1.14000	435,000.00	435,000.00
FEDERAL FARM CREDIT BANK	11/21/2016	12/04/2012	.62000	.63278	10,350,000.00	10,346,876.43
FEDERAL HOME LOAN BANK	12/05/2016	12/05/2012	.61000	.61000	11,000,000.00	11,000,000.00
FEDERAL NATL MTG ASSN	12/27/2016	12/27/2013	.75000	.75000	5,000,000.00	5,000,000.00
FEDERAL HOME LOAN BANK	01/25/2017	01/25/2013	.70000	.70000	2,750,000.00	2,750,000.00
FHLMC	03/21/2017	03/21/2013	.80000	.80000	10,000,000.00	10,000,000.00
AIRPORT NOTE 2014-3	04/01/2017	05/02/2014	1.40000	.09677	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/05/2017	12/05/2012	.77000	.78360	25,000,000.00	24,990,231.30
FHLMC	07/24/2017	07/24/2012	1.12500	1.13532	20,000,000.00	19,993,871.82
FEDERAL FARM CREDIT BANK	08/07/2017	08/07/2012	.97000	.97000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	08/09/2017	08/09/2012	1.00000	1.00514	15,000,000.00	14,997,669.04
FEDERAL NATL MTG ASSN	08/16/2017	08/16/2012	.75000	.75408	10,000,000.00	9,998,749.14
FEDERAL NATL MTG ASSN	08/23/2017	08/23/2012	.95000	.95000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	08/28/2017	08/28/2012	1.10000	1.10000	5,000,000.00	5,000,000.00
FEDERAL NATL MTG ASSN	08/30/2017	11/30/2012	.90000	.90000	12,500,000.00	12,500,000.00
FEDERAL HOME LOAN BANK	09/06/2017	09/06/2012	1.08000	1.08000	7,425,000.00	7,425,000.00
FHLMC	09/12/2017	09/17/2012	1.00000	1.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	10/10/2017	10/10/2012	.90000	.90000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	10/16/2017	10/16/2012	1.00000	1.00000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	10/23/2017	10/26/2012	.90000	.92054	10,000,000.00	9,993,362.56
FEDERAL NATL MTG ASSN	10/30/2017	02/27/2013	.85000	.89928	10,760,000.00	10,742,729.39
FEDERAL NATL MTG ASSN	11/08/2017	11/09/2012	.70000	.71022	10,000,000.00	9,996,641.06
2013 SERIES A	11/15/2017	08/28/2013	1.55000	1.55000	1,715,000.00	1,715,000.00
2013 SERIES B	11/15/2017	08/28/2013	1.55000	1.55000	445,000.00	445,000.00
FEDERAL FARM CREDIT BANK	11/20/2017	11/20/2012	.85000	.85000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	11/27/2017	11/27/2012	.90000	.90000	15,000,000.00	15,000,000.00
FEDERAL HOME LOAN BANK	11/28/2017	11/28/2012	.92000	.92000	20,000,000.00	20,000,000.00
FEDERAL NATL MTG ASSN	12/13/2017	12/13/2012	.80000	.80000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	12/13/2017	12/13/2012	.70000	.72550	10,000,000.00	9,991,367.75
FHLMC	12/20/2017	12/20/2012	.92000	.92000	13,810,000.00	13,810,000.00
FEDERAL HOME LOAN BANK	12/28/2017	12/28/2012	.95000	.95000	15,000,000.00	15,000,000.00
FHLMC	01/11/2018	01/11/2013	1.00000	1.00822	15,000,000.00	14,995,761.22
FHLMC	01/16/2018	01/16/2013	1.05000	1.05000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	01/30/2018	01/30/2013	1.00000	1.00000	10,000,000.00	10,000,000.00
FHLMC	04/02/2018	04/02/2013	1.12500	1.12500	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	04/30/2018	04/30/2013	.75000	.75000	10,000,000.00	10,000,000.00
FHLMC	04/30/2018	04/30/2013	1.05000	1.05000	5,000,000.00	5,000,000.00

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF JUNE 30, 2014

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL HOME LOAN BANK	06/12/2018	06/12/2013	1.40000	1.40727	10,000,000.00	9,997,236.03
FHLMC	06/26/2018	06/26/2013	1.40000	1.40000	5,000,000.00	5,000,000.00
FEDERAL NATL MTG ASSN	08/28/2018	08/28/2013	1.85000	1.85000	10,000,000.00	10,000,000.00
FHLMC	12/26/2018	12/26/2013	1.80000	1.80000	5,000,000.00	5,000,000.00
FEDERAL HOME LOAN BANK	06/10/2019	06/10/2014	.50000	.50000	10,000,000.00	10,000,000.00
SCEIP 2009A-10	09/02/2019	07/01/2009	3.00000	3.00000	54,048.89	54,048.89
SCEIP 2009B-10	09/02/2019	08/03/2009	3.00000	3.00000	96,992.59	96,992.59
SCEIP 2009C-10	09/02/2019	09/01/2009	3.00000	3.00000	58,674.00	58,674.00
SCEIP 2009D-10	09/02/2019	10/01/2009	3.00000	3.00000	537,540.34	537,540.34
SCEIP 2009E-10	09/02/2020	11/02/2009	3.00000	3.00000	92,490.16	92,490.16
SCEIP 2009F-10	09/02/2020	12/01/2009	3.00000	3.00000	61,063.99	61,063.99
SCEIP 2010A-10	09/02/2020	01/04/2010	3.00000	3.00000	124,135.44	124,135.44
SCEIP 2010B-10	09/02/2020	02/01/2010	3.00000	3.00000	57,902.63	57,902.63
SCEIP 2010C-10	09/02/2020	03/01/2010	3.00000	3.00000	124,448.25	124,448.25
SCEIP 2010D-10	09/02/2020	04/01/2010	3.00000	3.00000	82,665.06	82,665.06
SCEIP 2010E-10	09/02/2020	05/03/2010	3.00000	3.00000	36,127.77	36,127.77
SCEIP 2010F-10	09/02/2020	06/01/2010	3.00000	3.00000	145,942.21	145,942.21
SCEIP 2010G-10	09/02/2020	06/30/2010	3.00000	3.00000	129,430.89	129,430.89
SCEIP 2010H-10	09/02/2020	08/02/2010	3.00000	3.00000	170,548.42	170,548.42
SCEIP 2010I-10	09/02/2020	09/01/2010	3.00000	3.00000	45,476.74	45,476.74
SCEIP 2010J-10	09/02/2021	10/01/2010	3.00000	3.00000	40,448.57	40,448.57
SCEIP 2010L-10	09/02/2021	12/01/2010	3.00000	3.00000	200,393.16	200,393.16
SCEIP 2011A-10	09/02/2021	01/03/2011	3.00000	3.00000	32,492.21	32,492.21
SCEIP 2011B-10	09/02/2021	02/01/2011	3.00000	3.00000	69,093.30	69,093.30
SCEIP 2011C-10	09/02/2021	03/01/2011	3.00000	3.00000	61,430.77	61,430.77
SCEIP 2011D-10	09/02/2021	04/01/2011	3.00000	3.00000	221,162.93	221,162.93
SCEIP 2011E-10	09/02/2021	05/02/2011	3.00000	3.00000	27,003.60	27,003.60
SCEIP 2011F-10	09/02/2021	06/01/2011	3.00000	3.00000	140,793.77	140,793.77
SCEIP 2011G-10	09/02/2021	06/30/2011	3.00000	3.00000	33,470.89	33,470.89
SCEIP 2011H-10	09/02/2021	08/01/2011	3.00000	3.00000	141,510.62	141,510.62
SCEIP 2011I-10	09/02/2021	09/01/2011	3.00000	3.00000	97,616.93	97,616.93
SCEIP 2010K-10	09/21/2021	11/01/2010	3.00000	3.00000	9,882.26	9,882.26
SCEIP 2011J-10	09/02/2022	10/03/2011	3.00000	3.00000	11,298.96	11,298.96
SCEIP 2011K-10	09/02/2022	11/01/2011	3.00000	3.00000	106,242.62	106,242.62
SCEIP 2011L-10	09/02/2022	12/01/2011	3.00000	3.00000	26,203.17	26,203.17
SCEIP 2012A-10	09/02/2022	01/03/2012	3.00000	3.00000	23,409.82	23,409.82
SCEIP 2012B-10	09/02/2022	02/01/2012	3.00000	3.00000	12,715.68	12,715.68
SCEIP 2012C-10	09/02/2022	03/01/2012	3.00000	3.00000	11,017.34	11,017.34
SCEIP 2012D-10	09/02/2022	04/02/2012	3.00000	3.00000	27,690.78	27,690.78
SCEIP 2012F-10	09/02/2022	06/01/2012	3.00000	3.00000	54,926.66	54,926.66
SCEIP 2012G-10	09/02/2022	06/29/2012	3.00000	3.00000	7,028.30	7,028.30
SCEIP 2012H-10	09/02/2022	08/01/2012	3.00000	3.00000	57,882.33	57,882.33
SCEIP 2012I-10	09/02/2022	09/04/2012	3.00000	3.00000	5,877.73	5,877.73
SCEIP 2012J-10	09/02/2023	11/01/2012	3.00000	3.00000	88,671.04	88,671.04
SCEIP 2012K-10	09/02/2023	12/03/2012	3.00000	3.00000	9,043.48	9,043.48
SCEIP 2013A-10	09/02/2023	01/02/2013	3.00000	3.00000	10,060.78	10,060.78
SCEIP 2013C-10	09/02/2023	03/01/2013	3.00000	3.00000	59,115.46	59,115.46
SCEIP 2013D-10	09/02/2023	04/01/2013	3.00000	3.00000	21,733.95	21,733.95
SCEIP 2013E-10	09/02/2023	05/01/2013	3.00000	3.00000	19,939.24	19,939.24
SCEIP 2013F-10	09/02/2023	06/03/2013	3.00000	3.00000	43,761.63	43,761.63
SCEIP 2013H-10	09/02/2023	08/01/2013	3.00000	3.00000	38,852.10	38,852.10
SCEIP 2013I-10	09/02/2023	09/03/2013	3.00000	3.00000	34,240.10	34,240.10
SCEIP 2013J-10	09/02/2024	10/01/2013	3.00000	3.00000	123,747.33	123,747.33
SCEIP 2013K-10	09/02/2024	11/01/2013	3.00000	3.00000	28,255.28	28,255.28
SCEIP 2013L-10	09/02/2024	12/02/2013	3.00000	3.00000	115,571.87	115,571.87

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF JUNE 30, 2014

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
SCEIP 2014A-10	09/02/2024	01/02/2014	3.00000	3.00000	73,379.25	73,379.25
SCEIP 2014B-10	09/02/2024	02/03/2014	3.00000	3.00000	39,287.24	39,287.24
SCEIP 2014C-10	09/02/2024	03/03/2014	3.00000	3.00000	50,024.30	50,024.30
SCEIP 2014D-10	09/02/2024	04/01/2014	3.00000	3.00000	17,301.50	17,301.50
SCEIP 2014E-10	09/02/2024	05/01/2014	3.00000	3.00000	10,235.28	10,235.28
SCEIP 2014F-10	09/02/2024	06/02/2014	3.00000	3.00000	3,657.91	3,657.91
SCEIP 2014G-10	09/02/2024	06/30/2014	3.00000	3.00000	63,935.60	63,935.60
SCEIP 2009B-20	09/02/2029	06/01/2009	3.00000	3.00000	205,188.74	205,188.74
SCEIP 2009C-20	09/02/2029	07/01/2009	3.00000	3.00000	289,132.20	289,132.20
SCEIP 2009D-20	09/02/2029	08/03/2009	3.00000	3.00000	539,543.25	539,543.25
SCEIP 2009E-20	09/02/2029	09/01/2009	3.00000	3.00000	3,002,707.30	3,002,707.30
SCEIP 2009F-20	09/02/2029	10/01/2009	3.00000	3.00000	1,171,138.43	1,171,138.43
SCEIP 2009G-20	09/02/2030	11/02/2009	3.00000	3.00000	1,191,969.05	1,191,969.05
SCEIP 2009H-20	09/02/2030	12/01/2009	3.00000	3.00000	1,950,445.52	1,950,445.52
SCEIP 2010A-20	09/02/2030	01/04/2010	3.00000	3.00000	1,998,662.34	1,998,662.34
SCEIP 2010B-20	09/02/2030	02/01/2010	3.00000	3.00000	1,379,801.37	1,379,801.37
SCEIP 2010C-20	09/02/2030	03/01/2010	3.00000	3.00000	1,395,903.67	1,395,903.67
SCEIP 2010D-20	09/02/2030	04/01/2010	3.00000	3.00000	1,365,220.12	1,365,220.12
SCEIP 2010E-20	09/02/2030	05/03/2010	3.00000	3.00000	1,101,477.32	1,101,477.32
SCEIP 2010F-20	09/02/2030	06/01/2010	3.00000	3.00000	1,476,436.59	1,476,436.59
SCEIP 2010G-20	09/02/2030	06/30/2010	3.00000	3.00000	1,076,147.18	1,076,147.18
SCEIP 2010H-20	09/02/2030	08/02/2010	3.00000	3.00000	1,177,717.68	1,177,717.68
SCEIP 2010I-20	09/02/2030	09/01/2010	3.00000	3.00000	1,191,191.90	1,191,191.90
SCEIP 2010J-20	09/02/2031	10/01/2010	3.00000	3.00000	631,311.32	631,311.32
SCEIP 2010K-20	09/02/2031	11/01/2010	3.00000	3.00000	1,067,389.56	1,067,389.56
SCEIP 2010L-20	09/02/2031	12/01/2010	3.00000	3.00000	937,442.75	937,442.75
SCEIP 2011A-20	09/02/2031	01/03/2011	3.00000	3.00000	1,069,599.54	1,069,599.54
SCEIP 2011B-20	09/02/2031	02/01/2011	3.00000	3.00000	937,883.87	937,883.87
SCEIP 2011C-20	09/02/2031	03/01/2011	3.00000	3.00000	822,075.50	822,075.50
SCEIP 2011D-20	09/02/2031	04/01/2011	3.00000	3.00000	824,041.44	824,041.44
SCEIP 2011E-20	09/02/2031	05/02/2011	3.00000	3.00000	620,569.82	620,569.82
SCEIP 2011F-20	09/02/2031	06/01/2011	3.00000	3.00000	534,371.52	534,371.52
SCEIP 2011G-20	09/02/2031	06/30/2011	3.00000	3.00000	996,671.05	996,671.05
SCEIP 2014F-20	09/02/2034	06/02/2014	3.00000	3.00000	160,989.28	160,989.28
SCEIP 2014G-20	09/02/2034	06/30/2014	3.00000	3.00000	386,943.26	386,943.26
SUBTOTAL OTHER GOVERNMENTS		**58.66%**			**875,807,052.70**	**875,763,457.63**
TORONTO DOMINION	07/01/2014	12/05/2013	.17000	.17000	20,000,000.00	20,000,000.00
TORONTO DOMINION	07/01/2014	03/04/2014	.12500	.12500	20,000,000.00	20,000,000.00
BNK OF NOVA SCOTIA	07/31/2014	03/26/2014	.17000	.17000	25,000,000.00	25,000,000.00
BNK OF NOVA SCOTIA	08/01/2014	03/13/2014	.19500	.19500	25,000,000.00	25,000,000.00
SUBTOTAL COMMERCIAL PAPER		**6.03%**			**90,000,000.00**	**90,000,000.00**
UNION BANK	09/02/2014	04/08/2014	.16000	.16011	15,000,000.00	14,990,200.00
UNION BANK	10/01/2014	04/08/2014	.18000	.18016	30,000,000.00	29,973,600.00
GE CAP CORP MTN	11/14/2014	03/13/2012	3.75000	1.05036	5,000,000.00	5,049,376.64
GE CAP CORP MTN	01/09/2015	11/25/2013	2.15000	.35538	7,000,000.00	7,065,823.20
GE CAP CORP MTN	01/09/2015	12/16/2013	2.15000	.28282	5,000,000.00	5,048,913.12
WELLS FARGO CO MTN	02/13/2015	10/08/2013	1.25000	.56045	5,000,000.00	5,021,272.62
GE CAP CORP MTN	03/04/2015	11/18/2013	4.87500	.47028	4,469,000.00	4,601,508.42
GE CAP CORP MTN	06/29/2015	11/01/2013	3.50000	.61503	5,000,000.00	5,142,800.01
GE CAP CORP MTN	06/30/2015	04/15/2014	2.37500	.37552	4,000,000.00	4,079,304.13
WALMART	07/01/2015	06/11/2014	4.50000	.22270	5,000,000.00	5,313,643.51

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF JUNE 30, 2014

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
WELLS FARGO CO MTN	07/01/2015	02/06/2013	1.50000	.78515	7,100,000.00	7,150,289.88
WELLS FARGO CO MTN	07/01/2015	07/02/2013	1.50000	.83019	9,600,000.00	9,663,639.17
WELLS FARGO CO MTN	07/01/2015	08/09/2013	1.50000	.74522	8,645,000.00	8,709,706.77
WELLS FARGO CO MTN	07/01/2015	02/27/2014	1.50000	.46009	5,000,000.00	5,063,617.59
GE CAP CORP MTN	07/02/2015	02/25/2014	1.62500	.43071	5,268,000.00	5,343,657.72
GE CAP CORP MTN	07/02/2015	02/25/2014	1.62500	.41971	4,000,000.00	4,057,893.33
TOYOTA	07/17/2015	05/20/2014	.87500	.24518	15,000,000.00	15,143,201.20
MICROSOFT CORP	09/25/2015	12/09/2013	1.62500	.30018	10,000,000.00	10,163,117.41
GE CAP CORP MTN	11/09/2015	04/17/2014	2.25000	.41014	4,930,000.00	5,052,478.13
GE CAP CORP MTN	11/09/2015	05/01/2014	2.25000	.47044	8,435,000.00	8,637,502.99
GE CAP CORP MTN	01/08/2016	12/06/2013	.82960	.47800	5,000,000.00	5,026,353.53
GE CAP CORP MTN	01/08/2016	12/16/2013	.42960	.52939	5,000,000.00	4,992,523.90
GE CAP CORP MTN	01/08/2016	11/26/2013	1.00000	.68532	5,383,000.00	5,408,554.27
APPLE	05/03/2016	06/10/2013	.45000	.60026	7,000,000.00	6,980,837.21
WELLS FARGO CO MTN	06/15/2016	03/28/2013	3.67600	1.03498	10,000,000.00	10,506,767.67
TOYOTA	06/20/2016	12/20/2012	.38100	.38100	15,000,000.00	15,000,000.00
WELLS FARGO CO MTN	07/20/2016	05/21/2014	1.25000	.75879	5,000,000.00	5,070,880.52
GE CAP CORP MTN	04/27/2017	11/06/2012	2.30000	1.41507	5,000,000.00	5,120,714.77
WELLS FARGO CO MTN	05/08/2017	11/06/2012	2.10000	1.36301	5,000,000.00	5,101,728.11
CATEPILLAR	11/06/2017	12/03/2012	1.25000	1.10708	5,000,000.00	5,023,234.88
GE CAP CORP MTN	12/07/2017	12/07/2012	.75000	.75000	25,000,000.00	25,000,000.00
TOYOTA	12/20/2017	12/20/2012	.48100	.48100	20,000,000.00	20,000,000.00
TOYOTA	10/25/2018	10/25/2013	.87875	.87875	5,000,000.00	5,000,000.00
SUBTOTAL CORPORATE NOTES AND BONDS		**18.99%**			**280,830,000.00**	**283,503,140.70**
CAMP	07/29/2014	07/08/2002	.06309	.06309	62,625,649.08	62,625,649.08
FEDERATED MUTUAL FUND	07/29/2014	09/30/2011	.01879	.01879	12,620,598.03	12,620,598.03
SUBTOTAL MONEY MARKET MUTUAL FUNDS		**5.04%**			**75,246,247.11**	**75,246,247.11**
LOCAL AGENCY INVESTMENT FUND	07/29/2014	11/04/2002	.22124	.22124	49,955,134.99	49,955,134.99
SUBTOTAL GOVERNMENT POOLS AND JPA'S		**3.35%**			**49,955,134.99**	**49,955,134.99**
CASH IN BANK		**1.77%**			**26,427,205.05**	**26,427,205.05**
CHECK AND WARRANTS IN TRANSIT		**0.12%**			**1,858,279.55**	**1,858,279.55**
CASH IN VAULT		**0.01%**			**171,239.18**	**171,239.18**
GRAND TOTAL		**100%**			**1,490,295,158.58**	**1,493,018,400.80**

(THIS PAGE INTENTIONALLY LEFT BLANK)