PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2010

NEW ISSUE -- FULL BOOK-ENTRY
BANK QUALIFIED

RATING: Moody's: "Aa3"
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Refunding Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$16,565,000*

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

(Sonoma County, California)
2010 General Obligation Refunding Bonds
(Bank Qualified)

***Dated*: Date of Delivery**

***Due*: August 1, as shown on inside cover**

Authority. The Cotati-Rohnert Park Unified School District (Sonoma County, California) 2010 General Obligation Refunding Bonds (the "Refunding Bonds") are being issued by the Cotati-Rohnert Park Unified School District (the "District") pursuant to certain provisions of the California Government Code, a resolution of the Governing Board of the District adopted on November 9, 2010 (the "Bond Resolution"), and a Paying Agent Agreement dated as of November 1, 2010, between The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent") and the District. The Refunding Bonds are being issued to refund two series of general obligation bonds of the District. See "THE REFUNDING BONDS – Authority for Issuance" and "-Refinancing Plan."

***Security*.** The Refunding Bonds are general obligations of the District. The Board of Supervisors of Sonoma County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Refunding Bonds. There are currently other series of general obligation bonds of the District that are similarly secured by tax levies. All general obligation bonds are issued on a parity basis with one another. See "The REFUNDING BONDS-Security for the Refunding Bonds."

***Redemption*.** The Refunding Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE REFUNDING BONDS – Optional Redemption" and "- Mandatory Sinking Fund Redemption."

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

Payments. Interest on the Refunding Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2011, by check mailed to the person in whose name the Refunding Bond is registered. Payments of principal and interest on the Refunding Bonds will be paid by the Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS – Description of the Refunding Bonds."

The following firm, serving as financial advisor to the District, has structured this financing:

KNN
public finance
A Division of Zions First National Bank

MATURITY SCHEDULE

(See inside front cover)

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

The Refunding Bonds will be sold and awarded by competitive bid held November __, 2010, as set forth in the Official Notice of Sale. The Refunding Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Refunding Bonds in definitive form will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about November 30, 2010, in New York, New York.

Dated: November __, 2010

* Preliminary, subject to change.

MATURITY SCHEDULE*

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
(Sonoma County, California)
2010 General Obligation Refunding Bonds

Base CUSIP(†): 221623

Maturity (August 1)	Principal Amount*	Interest Rate	Yield	CUSIP(†)
2011	$1,580,000			
2012	1,450,000			
2013	1,450,000			
2014	1,210,000			
2015	1,240,000			
2016	1,255,000			
2017	1,270,000			
2018	1,305,000			
2019	1,340,000			
2020	130,000			
2021	130,000			
2022	795,000			
2023	830,000			
2024	870,000			
2025	1,710,000			

** Preliminary, subject to change.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

[Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.]

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

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

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

The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such act. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

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

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
SONOMA COUNTY
STATE OF CALIFORNIA

GOVERNING BOARD

Karyn Pulley, *President*
Ed Gilardi, *Clerk*
Leffler Brown, *Member*
Eric Kirchmann, *Member*
George Steffensen, *Member*

DISTRICT ADMINISTRATION

Barbara Vrankovich, Ed.D., *Superintendent*
J. Wade Roach, *Chief Financial Officer*

BOND COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR
KNN Public Finance
A Division of Zions First National Bank
Oakland, California

PAYING AGENT, TRANSFER AGENT,
BOND REGISTRAR AND ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT
Causey Demgen & Moore
Denver, Colorado

DISCLOSURE COUNSEL
Jones Hall, A Professional Law Corporation
San Francisco, California

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(Sonoma County, California)
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INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the Cotati-Rohnert Park Unified School District (the "**District**") of its 2010 General Obligation Refunding Bonds (the "**Refunding Bonds**").

This Official Statement makes reference to resolutions and to other documents and laws. Such references do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to each such document and provision.

All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

The District

The District covers approximately 15.4 square miles in the central portion of Sonoma County (the "County"). The District currently operates six elementary schools, one middle school, one comprehensive high school, one technology school, one necessary small high school, and one continuation high school. Enrollment for the 2010-11 school year is approximately 5,964 students. See "APPENDIX B – General and Financial Information About the District."

THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**"), under a resolution adopted by the Governing Board of the District on November 9, 2010 (the "**Bond Resolution**"), and a Paying Agent Agreement dated as of November 1, 2010, between The Bank of New York Mellon Trust Company, N.A. (the "**Paying Agent**") and the District.

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* Preliminary, subject to change.

Description of the Refunding Bonds

The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

The Refunding Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Refunding Bonds mature on August 1, in the years and amounts set forth on the cover page hereof.

Interest on the Refunding Bonds accrues from their Dated Date, and is payable semiannually on February 1 and August 1 of each year (each, an "**Interest Payment Date**") commencing February 1, 2011. Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Interest Payment Date and after the close of business on the 15th day of the month preceding such Interest Payment Date (each, a "**Record Date**"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is registered and authenticated prior to January 15, 2011, in which event it will bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Refunding Bond, interest is in default thereon, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Refunding Bonds, including the final interest payment upon maturity, is payable by check of the Paying Agent mailed on the Interest Payment Date by first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Paying Agent at the close of business on the preceding Record Date, or at such other address as the Owner may have filed with the Paying Agent for that purpose, or upon written request filed with the Paying Agent as of the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Refunding Bonds, by wire transfer.

Refinancing Plan

The Refunding Bonds are being issued by the District to refund the Series H Bonds and the Series A Bonds (together, the **"Refunded Bonds"**) as described below.

Refunding of Series H Bonds. The District received authorization at an election held on June 5, 1990, by an affirmative vote of more than two-thirds of the votes cast, to issue general obligation bonds in a principal amount not to exceed $85,000,000 (the **"1990 Bond Authorization"**). Pursuant to the 1990 Bond Authorization, the District issued its Cotati-Rohnert Park Unified School District (Sonoma County, California) General Obligation Bonds, Election of 1990, Series H (the "**Series H Bonds**"), in the original aggregate principal amount of $7,500,000. The Series H Bonds are currently outstanding in the aggregate principal amount of $6,530,000. All of the Series H Bonds that are outstanding will be refunded with the net proceeds of the Refunding Bonds.

Refunding of 2001 Series A Refunding Bonds. The Cotati-Rohnert Park Unified School District (Sonoma County, California) 2001 Refunding General Obligation Bonds, Series A (the "**Series A Bonds**"), issued in the original aggregate principal amount of $16,685,000 are currently outstanding in the aggregate principal amount of $9,740,000. The Series A Bonds were issued to refund two series of Bonds which were issued by the District under the 1990 Authorization.

The Refunding Bonds are being issued by the District to refund the Series H Bonds and the Series A Bonds as identified in the following table.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Identification of Refunded Bonds

Series	Principal Amount Redeemed	Redemption Date	Redemption Price (% of Par))
Election of 1990, Series H	$6,530,000	December 16, 2010	100%
2001 Refunding Bonds, Series A	$9,740,000	December 16, 2010	100%

The District will deliver a portion of the proceeds of the Refunding Bonds to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Bank**"), for deposit in the escrow fund (the "**Escrow Fund**") established under the Paying Agent Agreement. Moneys in the Escrow Fund will be used to pay the Refunded Bonds and are not pledged for payment of the Refunding Bonds.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore, certified public accountants, Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

The amounts held and invested by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service with respect to the Refunding Bonds.

Security for the Refunding Bonds

The Refunding Bonds are a general obligation of the District. The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* taxes for the payment of the Refunding Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Refunding Bonds are outstanding in an amount sufficient to pay the principal and interest on the Refunding Bonds when due. Such taxes, when collected, will be deposited into an interest and sinking fund for the Refunding Bonds (the "**Debt Service Fund**"), which is maintained by the County Office of Education and which is created by statute for the payment of principal of and interest on the Refunding Bonds when due. **Although the County is obligated to levy an *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.**

The District has other general obligation bonds outstanding which are also secured by the levy of *ad valorem* taxes in the District. Such general obligation bonds are secured on an parity basis with the Refunding Bonds. See "APPENDIX B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Refunding Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent (as defined herein) which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Refunding Bonds. DTC will thereupon make payments of principal and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Refunding Bonds.

The rate of the annual *ad valorem* tax levied by the County to repay the Refunding 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 Refunding Bonds. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy. There are currently other series of general obligation bonds that are similarly secured by tax levies. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "PROPERTY TAXATION."

Paying Agent

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

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

Optional Redemption

The Refunding Bonds maturing on or before August 1, 2020 are not subject to redemption prior to their respective stated maturities. The Refunding Bonds maturing on or after August 1, 2021 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 2020, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium. For the purpose of selection for optional redemption, Refunding Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Refunding Bonds maturing on August 1, 20__ and August 1, 20__ (the **"Term Bonds"**), are subject to mandatory sinking fund redemption in part by lot, on August 1 of each year in accordance with the schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed at the principal amount of such Refunding Bonds to be redeemed, plus accrued but unpaid interest, without premium.

$_________ Term Bonds Maturing August 1, 20__

Redemption Year (August 1)	Principal Amount to be Redeemed

$_________ Term Bonds Maturing August 1, 20__

Redemption Year (August 1)	Principal Amount to be Redeemed

Selection of Refunding Bonds for Redemption

Whenever provision is made for the redemption of Refunding Bonds and less than all Outstanding Refunding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District received at least 30 days prior to the specified redemption date (unless a shorter notice is consented to by the Paying Agent), shall select Refunding Bonds for redemption by lot within a maturity. Redemption by lot shall be in such a manner as the Paying Agent may determine; *provided, however*, that the portion of any Refunding Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Refunding Bonds, at the expense of the District. Notice of any redemption of Refunding Bonds shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding 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 Refunding Bonds to be redeemed, (f) the Refunding Bond numbers of the Refunding Bonds to be redeemed in whole or in part and, in the case of any Refunding Bond to be redeemed in part only, the principal amount of such Refunding Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Refunding Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest with respect thereto shall cease to accrete in value.

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

Partial Redemption of Refunding Bonds

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

Registration, Transfer and Exchange of Refunding Bonds

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

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

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

No exchanges of Refunding Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Refunding Bonds for redemption or (b) with respect to a Refunding Bond after such Refunding Bond has been selected for redemption.

Book-Entry-Only System

The Refunding Bonds will be issued in fully registered form only and, when initially issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Refunding Bonds. Purchasers of the Refunding Bonds will not receive physical certificates representing their beneficial ownership interests in the Series S Bonds purchased. Payments of principal and interest on the Refunding Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Refunding Bonds. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" herein.

DEBT SERVICE SCHEDULES

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

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Debt Service Schedule
Refunding Bonds

Period Ending (August 1)	Refunding Bonds Principal	Refunding Bonds Interest	Refunding Bonds Debt Service
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
Total			

Combined General Obligation Bonds Debt Service Schedules. Other than the Prior Bonds, the District has outstanding the following series of general obligation bonds pursuant to the 1990 Authorization:

- the Cotati-Rohnert Park Unified School District 2003 Refunding General Obligation Bonds (the "**2003 Refunding Bonds**"), in the aggregate principal amount of $18,525,000, currently outstanding in the aggregate principal amount of $8,855,000,

- the Cotati-Rohnert Park Unified School District 2005 Refunding General Obligation Bonds, Series A (the "**2005 Series A Refunding Bonds**"), in the aggregate principal amount of $25,765,000, currently outstanding in the aggregate principal amount of $9,455,000,

- the Cotati-Rohnert Park Unified School District 2005 Refunding General Obligation Bonds, Series A (the "**2005 Series B Refunding Bonds**"), in the aggregate principal amount of $6,450,000, currently outstanding in the aggregate principal amount of $6,380,000,

- the Cotati-Rohnert Park Unified School District Election of 1990 General Obligation Bonds, Series I (the "**Series I Bonds**"), in the aggregate principal amount of $11,005,000, currently outstanding in the aggregate principal amount of $9,975,000, The following table shows the combined debt service schedule with respect to the District's outstanding general obligation bonds listed above (assuming no optional redemption of any such bonds).

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Combined Debt Service Schedule
General Obligation Bonds

Period Ending (August 1)	2003 Refunding Bonds	2005 Series A Refunding Bonds	2005 Series B Refunding Bonds	Series I Refunding Bonds	Refunding Bonds	Total Combined Debt Service
2011	$ 1,799,840.00	$ 1,221,612.50	$ 468,137.50	$ 716,176.26		
2012	1,813,960.00	1,221,612.50	591,962.50	724,026.26		
2013	1,811,985.00	1,221,612.50	720,762.50	735,126.26		
2014	1,824,745.00	1,221,612.50	852,362.50	754,126.26		
2015	1,836,665.00	1,221,612.50	952,962.50	721,006.26		
2016	884,000.00	1,916,612.50	1,475,400.00	602,806.26		
2017	-	3,046,162.50	1,489,000.00	488,806.26		
2018	-	3,173,412.50	1,501,500.00	548,886.26		
2019	-	4,240,037.50	-	1,201,023.76		
2020	-	5,923,287.50	-	1,184,688.76		
2021	-	6,074,287.50	-	1,261,845.00		
2022	-	2,568,750.00	-	1,523,725.00		
2023	-	2,661,750.00	-	1,510,900.00		
2024	-	2,767,837.50	-	1,201,050.00		
2025	-	-	-	827,450.00		
2026	-	-	-	857,720.00		
Total	$9,971,195.00	$38,480,200.00	$8,052,087.50	$14,859,362.60		

(1) Does not include debt service on the Refunded Bonds to be refunded with the proceeds of the Refunding Bonds. See "THE REFUNDING BONDS – Financing Plan."

For more information on outstanding general obligation bonds of the District, see "APPENDIX B - DISTRICT GENERAL AND FINANCIAL INFORMATION – Existing Debt Obligations".

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Refunding Bonds
Original Issue Premium

Total Sources:

Uses of Funds:

Escrow Fund
Costs of Issuance (1)

Total Uses:

---

(1) Costs of Issuance include legal fees, financial advisor fees, underwriter's discount, printing costs, rating agency fees, verification fees and other miscellaneous costs and expenses of issuing the Refunding Bonds.

PROPERTY TAXATION

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the 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 County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10 percent penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the Sonoma County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100 percent of the "full value" of the property, as defined in Article XIIIA of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25 percent of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

Property within the District had a net taxable assessed valuation for fiscal year 2010-11 of $4,824,580,650. Shown in the following table are the assessed valuations for the District for the past five fiscal years.

Table No. 1
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2006-07 through Fiscal Year 2010-11

	Local Secured	Utility	Unsecured	Total
2006-07	$4,771,850,152	$507,751	$206,281,051	$4,978,638,954
2007-08	5,180,392,968	507,751	141,223,947	5,322,124,666
2008-09	5,135,956,726	849,976	136,023,320	5,272,830,022
2009-10	4,968,910,509	891,440	139,859,900	5,109,661,849
2010-11	4,688,664,231	894,000	135,022,419	4,824,580,650

Source: California Municipal Statistics, Inc.

The assessed valuation of parcels in the District is comprised primarily of parcels used for residential uses, with 77.86% of assessed valuation attributable to residential uses, and 22.14% attributable to non-residential use. In addition, of all of the parcels within the District, 53.67% are used for single-family residential. The following table summarizes secured assessed valuation of parcels by land use in the District for the 2010-11 fiscal year.

Table No. 2
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11

	2010-11 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 74,857,966	1.60%	189	1.24%
Commercial	560,190,086	11.95	320	2.10
Vacant Commercial	35,905,362	0.77	169	1.11
Industrial	294,698,912	6.29	48	0.31
Vacant Industrial	28,424,469	0.61	131	0.86
Recreational	29,908,223	0.64	10	0.07
Government/Social/Institutional	12,562,089	0.27	48	0.31
Miscellaneous	1,716,699	0.04	151	0.99
Subtotal Non-Residential	$1,038,263,806	22.14%	1,066	6.99%
Residential:				
Single Family Residence	$2,516,454,915	53.67%	10,488	68.74%
Condominium/Townhouse	343,003,041	7.32	1,949	12.77
Rural Residential	172,775,390	3.68	483	3.17
Hotel/Motel	41,925,751	0.89	6	0.04
Mobile Home	841,296	0.02	3	0.02
Mobile Home Park	39,105,309	0.83	11	0.07
2-4 Residential Units	96,909,345	2.07	278	1.82
5+ Residential Units/Apartments	403,946,500	8.62	104	0.68
Miscellaneous Residential	3,894,529	0.08	24	0.16
Vacant Residential	31,544,349	0.67	845	5.54
Subtotal Residential	$3,650,400,425	77.86%	14,191	93.01%
Total	$4,688,664,231	100.00%	15,257	100.00%

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

The greatest number of single-family residential parcels in the District have a value between $125,000 and $150,000, representing 9.7% of the single-family assessed valuation, as set forth on the following table.

Table No. 3
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2010-11

	No. of Parcels	2010-11 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	10,488	$2,516,454,915	$239,937	$237,815

2010-11 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	2	0.019%	0.019%	$ 40,085	0.002%	0.002%
$25,000 - $49,999	67	0.639	0.658	2,970,046	0.118	0.120
$50,000 - $74,999	519	4.949	5.606	31,632,184	1.257	1.377
$75,000 - $99,999	328	3.127	8.734	29,119,188	1.157	2.534
$100,000 - $124,999	684	6.522	15.256	75,816,492	3.013	5.547
$125,000 - $149,999	1,015	9.678	24.933	139,788,719	5.555	11.102
$150,000 - $174,999	876	8.352	33.286	142,071,819	5.646	16.747
$175,000 - $199,999	546	5.206	38.492	102,658,326	4.079	20.827
$200,000 - $224,999	714	6.808	45.299	151,645,564	6.026	26.853
$225,000 - $249,999	921	8.781	54.081	218,458,908	8.681	35.534
$250,000 - $274,999	984	9.382	63.463	258,383,256	10.268	45.802
$275,000 - $299,999	779	7.428	70.891	223,678,256	8.889	54.691
$300,000 - $324,999	755	7.199	78.089	236,167,084	9.385	64.075
$325,000 - $349,999	677	6.455	84.544	227,763,851	9.051	73.126
$350,000 - $374,999	510	4.863	89.407	184,173,702	7.319	80.445
$375,000 - $399,999	322	3.070	92.477	124,438,165	4.945	85.390
$400,000 - $424,999	294	2.803	95.280	121,004,219	4.809	90.199
$425,000 - $449,999	183	1.745	97.025	80,039,340	3.181	93.379
$450,000 - $474,999	90	0.858	97.883	41,349,150	1.643	95.022
$475,000 - $499,999	76	0.725	98.608	37,042,100	1.472	96.494
$500,000 and greater	146	1.392	100.000	88,214,461	3.506	100.000
Total	10,488	100.000%		$2,516,454,915	100.000%	

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

Appeals of Assessed Value

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

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

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

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

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

The District consists of approximately 15.4 square miles located in of Sonoma County, and includes areas in the City of Cotati and the City of Rohnert Park. Under Proposition 8, for the 2009-10 tax year, the County Assessor lowered the assessments on some 37,000 properties within the County, which contributed to the 1.33% decrease in the assessment roll of 1.33% to roughly $67.68 billion.

For the 2010-11 tax year, the County Assessor’s office reassessed over 45,000 properties within the County due to the continuing declining residential real estate market. In addition, the Assessor’s office processed over 18,000 changes in ownership and new construction events that occurred during the 2009 calendar year. The 2010-11 Assessment Roll dropped by $1.5 billion to a net taxable roll of $66.1 billion.

In addition, the State had a negative Consumer Price Index for the first time since 1978, when voters passed Proposition 13, which governs property taxes. Normally under Proposition 13, assessed property values increase up to 2% per year, except when the inflation index is lower than that. For the 2010-11 tax year, every property in the State will get at least a 0.237% reduction in assessed value, in line with the Consumer Price Index decline.

No assurance can be given that Proposition 8 reductions and/or property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

Property Tax Collections

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account and each entity levying property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of the tax levy on each parcel in the taxing entity, which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the County treasury (including those credited to the tax losses reserve fund) shall be available to be drawn on to the extent of the amount if uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources accounts.

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

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2010-11, which represent 11.48% of the secured tax base.

Table No. 4
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2010-11

	Property Owner	Primary Land Use	2010-11 Assessed Valuation	% of Total (1)
1.	Sonoma Mountain Village LLC	Industrial	$ 46,632,019	0.99%
2.	Rohnert Park Ridge LLC	Apartments	45,533,066	0.97
3.	Steven J. Scarpa	Apartments	44,077,413	0.94
4.	Columbia Redwood Creek LLC	Apartments	38,355,325	0.82
5.	Redwood Equities Investments LLC	Apartments	34,104,931	0.73
6.	Crossbrook Apartments LP	Apartments	30,407,680	0.65
7.	Codding Enterprises	Shopping Center	26,951,030	0.57
8.	Knickerbocker Properties Inc. XXXVIII	Apartments	26,381,701	0.56
9.	4855 Snyder Lane LLC	Apartments	25,853,844	0.55
10.	Lowes HIW Inc.	Commercial	25,599,682	0.55
11.	Santa Rosa Press Democrat Inc.	Newspaper	24,912,696	0.53
12.	State Farm Mutual Automobile Insurance Co.	Office Building	22,789,743	0.49
13.	El Capitan Investments LLC	Movie Theater	22,312,532	0.48
14.	Costco Wholesale Corp.	Commercial	21,615,273	0.46
15.	RLH Partnership	Hotel	19,774,493	0.42
16.	Caltex Equities Series LLC	Shopping Center	18,896,588	0.40
17.	Expressway Partners LLC	Commercial	18,323,325	0.39
18.	Pine Creek Properties	Apartments	15,627,788	0.33
19.	Mountain Shadows Investors LLC	Shopping Center	15,163,973	0.32
20.	State Farm Drive LP	Office Building	14,998,149	0.32
			$538,311,251	11.48%

(1) 2010-11 Local Secured Assessed Valuation: $4,688,664,231.
Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated October 1, 2010. 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.

Table No. 5
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of October 1, 2010

2010-11 Assessed Valuation:	$4,824,580,650	(includes aircraft valuation)
Redevelopment Incremental Valuation:	1,575,000,391	
Adjusted Assessed Valuation:	$3,249,580,259	

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/10	
Sonoma County Joint Community College District	5.388%	$10,861,015	
Cotati-Rohnert Park Unified School District	**100.**	**67,245,000**	(1)
Sonoma County Canon Manor Assessment District	100.	4,250,000	
City 1915 Act Bonds	100.	5,295,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$87,651,015	
OVERLAPPING GENERAL FUND DEBT:			
Sonoma County General Fund Obligations	5.449%	$ 2,446,887	
Sonoma County Pension Obligations	5.449	29,213,724	
Sonoma County Office of Education Certificates of Participation	5.449	136,770	
Sonoma County Joint Community College District General Fund Obligations	5.388	112,879	
City of Rohnert Park General Fund Obligations	98.351	8,595,877	
TOTAL OVERLAPPING GENERAL FUND DEBT		$40,506,137	
COMBINED TOTAL DEBT		$128,157,152	(2)

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2010-11 Assessed Valuation:
Direct Debt ($67,245,000) 1.39%
Total Direct and Overlapping Tax and Assessment Debt....... 1.82%

Ratios to Adjusted Assessed Valuation:
Combined Total Debt 3.94%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

CONTINUING DISCLOSURE

The District has covenanted, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data (an **"Annual Report"**) relating to the District to the Municipal Securities Rulemaking Board (the **"MSRB"**) not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2011 with the report for the 2009-10 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The notices of material events will be filed by the District with the MSRB. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The County is not obligated to undertake any continuing disclosure in connection with the Refunding Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

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

CERTAIN LEGAL MATTERS

Absence of Material Litigation

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

Legal Opinion

The proceedings in connection with the issuance of the Refunding Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel for the District (**"Bond Counsel"**). The opinion of Bond Counsel with respect to the Refunding Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Jones Hall as Disclosure Counsel (**"Disclosure Counsel"**). The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Refunding Bonds.

TAX MATTERS

In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings, and the Refunding Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the **"Tax Code"**) such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Refunding Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Refunding Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Refunding Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

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

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

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

The opinion of Bond Counsel with respect to the Refunding Bonds will be delivered in substantially the form attached hereto as Appendix D.

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

RATING

Moody's Investors Services ("**Moody's**") has assigned its municipal bond rating of "Aa3" to the Refunding Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained only from Moody's. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Refunding Bonds.

UNDERWRITING

The Refunding Bonds are being purchased by _____________ (the "**Underwriter**"). The Underwriter has agreed to purchase the Refunding Bonds at a price of $____________ (which is equal to the initial principal amount of the Refunding Bonds plus original issue premium ($____________) less Underwriter's discount of $____________). The notice of sale relating to the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

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

PROFESSIONALS INVOLVED IN THE OFFERING

The following professionals have performed professional services in connection with the issuance of the Refunding Bonds: KNN Public Finance, A Division of Zions First National Bank, Oakland, California has acted as financial advisor to the District; and Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Bond Counsel and Disclosure Counsel to the District. The fees of these professionals will be paid contingent on the issuance of the Refunding Bonds.

ADDITIONAL INFORMATION

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

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

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

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

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

By: ________________________________
Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2009

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

JUNE 30, 2009

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STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Cotati-Rohnert Park Unified School District
Rohnert Park, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cotati-Rohnert Park Unified School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Cotati-Rohnert Park Unified School District's management. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the provisions of California Code of Regulations, Title 5, Education, Section 19810, and following; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cotati-Rohnert Park Unified School District, as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2010, on our consideration of Cotati-Rohnert Park Unified School District's internal control over financial reporting and on our tests of the District's compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the budgetary comparison information on page 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cotati-Rohnert Park Unified School District's basic financial statements. The accompanying supplementary information, including the combining statements, 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,* and the remaining schedules listed in the table of contents, are presented for purposes of additional analysis, as required by the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies 2008-09*, and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 29, 2010

(PREPARED BY DISTRICT MANAGEMENT)

This section of Cotati-Rohnert Park Unified 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, 2009. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 and 2, 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 Assets 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. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

- The District's financial status declined during the course of the year, as total net assets decreased 4.7%. (The decrease in net assets was due primarily to the $847,154 current year loss from the disposition of capital assets.)

- On the Statement of Activities, total current year expenses and special item loss exceeded total current year revenues by $1,109,168.

- Capital assets, net of depreciation, decreased $2,230,670, due to the current year acquisition of $1,546,733 of new capital assets; the current year recognition of $2,930,249 of depreciation expense, and the disposition of capital assets with a book value of $847,154.

- Total long-term liabilities decreased $3,202,457, due primarily to the current year reduction of the District's obligation for general obligation bonds.

- The District's P-2 ADA, exclusive of adult education ADA, decreased from 6,310 ADA, in fiscal year 2007-08, down to 6,130 ADA in fiscal year 2008-09, a decrease of 2.9%.

- On the Statement of Revenues, Expenditures, and Changes in Fund Balances, total current year expenditures exceeded total current year revenues and other financing sources by $1,167,540.

- The fund balance of the General Fund increased $1,675,108, which resulted in an $813,167 increase in General Fund available reserves. (The increases in fund balance and available reserves were due primarily to transfers that were made from other District funds totaling $3,309,909.)

- The District maintains sufficient reserves for a district its size, and meets the state required minimum reserve for economic uncertainty of 3% of general fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2008-09, General Fund expenditures and other financing uses totaled $55,862,418. At June 30, 2009, the District has available reserves of $2,559,444 in the General Fund, which represents an available reserve of 4.6%.

THE FINANCIAL REPORT

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

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

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

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

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

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

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

Reporting the District as a Whole

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

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

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

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

THE FINANCIAL REPORT (CONCLUDED)

Reporting the District as a Whole (Concluded)

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

Governmental Activities:

The basic services provided by the District, such as regular 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 are also included here, but are financed by a combination of local revenues and state and federal programs.

Business-type Activities:

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

Reporting the District's Most Significant Funds

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENTAL ACTIVITIES

Total net assets of decreased from $23,462,026 down to $22,352,858 at June 30, 2009, a decrease of 4.7%.

Comparative Statement of Net Assets

	Governmental Activities	
	2008	2009
Assets		
Deposits and Investments	$ 23,549,830	$ 19,455,932
Receivables	5,055,271	7,036,765
Stores Inventory	4,034	8,523
Prepaid Expenses	6,565,776	6,123,792
Capital Assets, net	73,609,662	71,378,992
Total Assets	108,784,573	104,004,004
Liabilities		
Current *	9,655,985	8,776,869
Long-term *	75,666,562	72,874,277
Total Liabilities	85,322,547	81,651,146
Net Assets		
Invested in Capital Assets		
- Net of Related Debt	7,332,557	6,451,608
Restricted	13,899,275	13,172,267
Unrestricted *	2,230,194	2,728,983
Total Net Assets *	$ 23,462,026	$ 22,352,858

Table includes financial data of the combined governmental funds

* *Prior year balances have been adjusted to reflect the restatement discussed in Note 19.*

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

GOVERNMENTAL ACTIVITIES (CONTINUED)

The District's total current year expenses and special item loss exceeded total current year revenues by $1,109,168.

Comparative Statement of Changes in Net Assets

	Governmental Activities 2008	Governmental Activities 2009
Program Revenues		
Charges for Services	$ 805,486	$ 1,999,564
Operating Grants & Contributions	11,446,383	12,275,245
Capital Grants & Contributions	0	739,210
General Revenues		
Taxes Levied	24,166,770	23,858,940
Federal & State Aid	24,557,772	23,496,249
Interest & Investment Earnings	1,243,569	504,735
Transfers From Other Agencies	214,181	190,197
Miscellaneous	756,464	1,378,511
Total Revenues	63,190,625	64,442,651
Expenses		
Instruction	39,761,288	40,580,800
Instruction-Related Services	5,926,455	5,443,971
Pupil Services	5,212,955	6,522,744
General Administration	3,399,826	2,804,288
Plant Services	4,524,313	5,479,790
Ancillary Services	1,503,985	742,554
Community Services	0	300
Interest on Long-Term Debt	2,494,848	2,868,443
Other Outgo	684,207	261,775
Total Expenses	63,507,877	64,704,665
Change in Net Assets Before Special Item	(317,252)	(262,014)
Special Item Loss	0	(847,154)
Change in Net Assets	$ (317,252)	$ (1,109,168)

Table includes financial data of the combined governmental funds

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

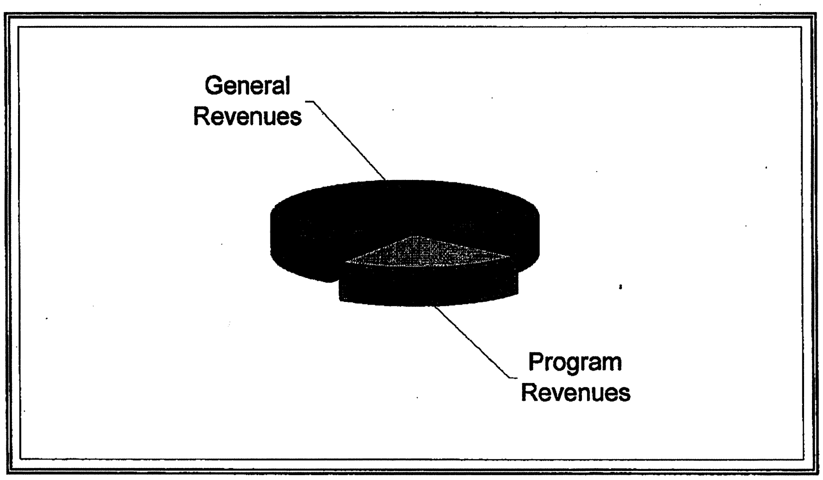
GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Costs of Services

	Total Cost of Services		Net Cost of Services	
	2008	2009	2008	2009
Instruction	$ 39,761,288	$ 40,580,800	$ 31,552,018	$ 32,183,408
Instruction-Related Services	5,926,455	5,443,971	5,262,128	4,079,129
Pupil Services	5,212,955	6,522,744	2,650,986	2,679,225
General Administration	3,399,826	2,804,288	3,277,290	2,540,109
Plant Services	4,524,313	5,479,790	4,124,863	4,668,037
Ancillary Services	1,503,985	742,554	1,490,388	711,068
Community Services	0	300	0	172
Interest on Long-Term Debt	2,494,848	2,868,443	2,494,848	2,868,443
Other Outgo	684,207	261,775	403,487	(38,945)
Totals	$ 63,507,877	$ 64,704,665	$ 51,256,008	$ 49,690,646

Table includes financial data of the combined governmental funds

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The $49,690,646 net cost represents the financial burden that was placed on the District's general revenues for providing the services listed. Further detail is available on page 15 of this report.



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.

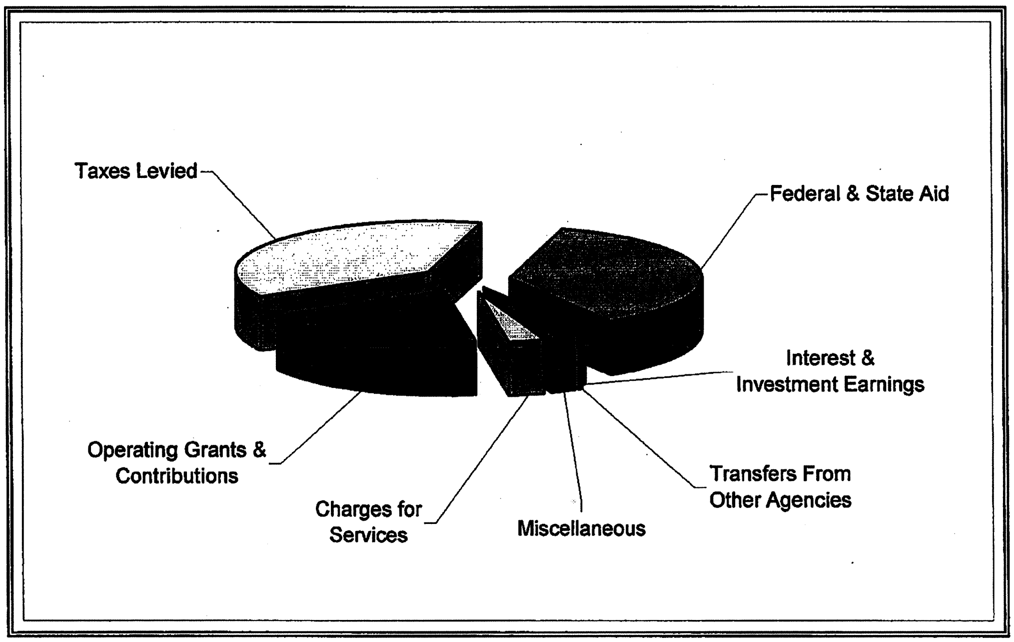
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Summary of Revenues For Governmental Functions

	FYE 2008 Amount	Percent of Total	FYE 2009 Amount	Percent of Total
Program Revenues				
Charges for Services	$ 805,486	1.27%	$ 1,999,564	3.10%
Operating Grants & Contributions	11,446,383	18.11%	12,275,245	19.05%
Capital Grants & Contributions	0	0.00%	739,210	1.15%
General Revenues				
Taxes Levied	24,166,770	38.24%	23,858,940	37.02%
Federal & State Aid	24,557,772	38.86%	23,496,249	36.46%
Interest & Investment Earnings	1,243,569	1.97%	504,735	0.78%
Transfers From Other Agencies	214,181	0.34%	190,197	0.30%
Miscellaneous	756,464	1.20%	1,378,511	2.14%
Total Revenues	$ 63,190,625	100.00%	$ 64,442,651	100.00%

Table includes financial data of the combined governmental funds



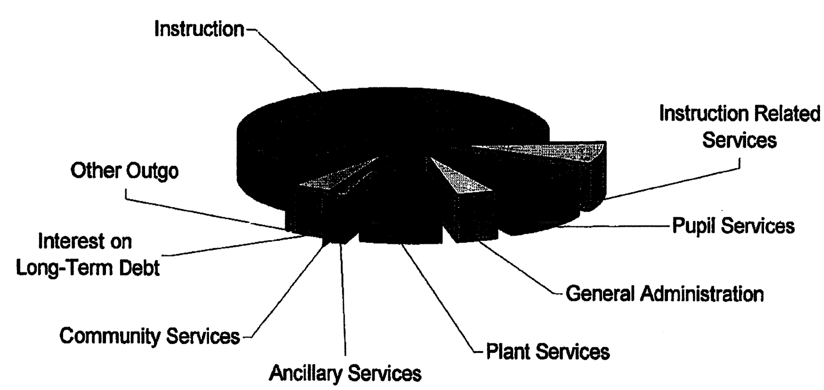
FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

Schedule of Expenses For Governmental Functions

	FYE 2008 Amount	Percent of Total	FYE 2009 Amount	Percent of Total
Expenses				
Instruction	$ 39,761,288	62.61%	$ 40,580,800	62.72%
Instruction-Related Services	5,926,455	9.33%	5,443,971	8.41%
Pupil Services	5,212,955	8.21%	6,522,744	10.08%
General Administration	3,399,826	5.35%	2,804,288	4.33%
Plant Services	4,524,313	7.12%	5,479,790	8.47%
Ancillary Services	1,503,985	2.37%	742,554	1.15%
Community Services	0	0.00%	300	0.00%
Interest on Long-Term Debt	2,494,848	3.93%	2,868,443	4.43%
Other Outgo	684,207	1.08%	261,775	0.40%
Total Expenses	$ 63,507,877	100.00%	$ 64,704,665	100.00%

Table includes financial data of the combined governmental funds



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

GOVERNMENTAL ACTIVITIES (CONTINUED)

Comparative Schedule of Capital Assets

	Governmental Activities 2008	Governmental Activities 2009
Land	$ 9,482,482	$ 9,482,482
Sites and Improvements	6,179,041	6,342,013
Buildings and Improvements	86,519,047	95,341,103
Furniture and Equipment	1,724,110	1,770,562
Work-in-Progress	8,984,673	0
Subtotals	112,889,353	112,936,160
Less: Accumulated Depreciation	(39,279,691)	(41,557,168)
Capital Assets, net	$ 73,609,662	$ 71,378,992

Capital assets, net of depreciation, decreased $2,230,670, due to the current year acquisition of $1,546,733 of new capital assets; the current year recognition of $2,930,249 of depreciation expense, and the disposition of capital assets with a book value of $847,154.

Comparative Schedule of Long-Term Liabilities

	Governmental Activities 2008	Governmental Activities 2009
Compensated Absences	$ 223,678	$ 186,084
General Obligation Bonds	78,701,713	75,097,449
Capital Leases	140,732	106,979
Early Retirement Incentives *	1,289,014	1,189,754
Other Post Employment Benefits *	0	572,414
Totals *	$ 80,355,137	$ 77,152,680

* The prior year balances have been adjusted to reflect the restatement described in Note 19.

Total long-term liabilities decreased $3,202,457, due primarily to the current year reduction of the District's outstanding general obligation bonds.

The general obligation bonds are financed by the local taxpayers and represent 97% of the District's total long-term liabilities. The District has satisfied all debt service requirements for each of its debts and continues to maintain an excellent credit rating on all of its debt issues.

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

GOVERNMENTAL ACTIVITIES (CONCLUDED)

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, 2008	Fund Balances June 30, 2009	Increase (Decrease)
General	$ 4,888,597	$ 6,563,705	$ 1,675,108
Bond Interest & Redemption	8,864,170	9,444,617	580,447
Building	6,410,010	5,228,438	(1,181,572)
Deferred Maintenance	1,012,747	552,623	(460,124)
Cafeteria	17,617	277,791	260,174
Adult Education	207,468	0	(207,468)
Special Revenue - Special Reserve	1,483,637	0	(1,483,637)
Capital Facilities	1,431,913	1,063,174	(368,739)
County School Facilities	0	61,567	61,567
Capital Projects - Special Reserve	229,182	185,886	(43,296)
Totals	$ 24,545,341	$ 23,377,801	$ (1,167,540)

The combined fund balance of all District governmental funds decreased $1,167,540, while the fund balance of the General Fund increased $1,675,108. (The increase in the fund balance of the General Fund was due primarily to transfers that were made from other District funds totaling $3,309,909.)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- At the end of the 2007-08 school year the District closed La Fiesta Elementary School and Gold Ridge Elementary School in direct response to a continued decline in student enrollment and the corresponding negative fiscal impacts. Since 2002, the District has closed a total of three elementary school sites.

- The District is planning for a decrease in enrollment of 263 students for the 2009-10 school year. Since student enrollment and corresponding attendance are primary factors in the computation of most funding formulas for public schools in California, the District will experience a corresponding decline in future revenue. During fiscal year 2009-10, the District's revenue limit funding will be based on the 2008-09 P-2 ADA count.

- The District's Board of Trustees will consider unrestricted general fund budget reductions in the 2009-10 and 2010-11 fiscal years of at least $2.25 million. Staff has strongly recommended to the Board that action be taken not later than March of 2010.

- Additionally, due to the State's poor economic condition, the Board of Trustees has been informed and is preparing, if necessary, to take action to eliminate programs and reduce staffing in excess of $2 million. As such, the closure of a middle school and additional reductions will be discussed and acted upon by March 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Cotati-Rohnert Park Unified School District, 5860 Labath Ave., Rohnert Park, CA 94928.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets	
Deposits and Investments (Note 2)	$ 19,455,932
Receivables (Note 4)	7,036,765
Stores Inventory (Note 1J)	8,523
Prepaid Expenses (Note 1J)	6,123,792
Capital Assets: (Note 6)	
Land	9,482,482
Sites and Improvements	6,342,013
Buildings and Improvements	95,341,103
Furniture and Equipment	1,770,562
Less: Accumulated Depreciation	(41,557,168)
Total Assets	104,004,004
Liabilities	
Accounts Payable and Other Current Liabilities	4,022,825
Deferred Revenue (Note 1J)	475,641
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Compensated Absences	186,084
General Obligation Bonds	
Current Interest	3,075,228
Capital Appreciation	741,657
Capital Leases	48,901
Early Retirement Incentives	226,533
Portion Due or Payable After One Year:	
General Obligation Bonds (Note 7)	
Current Interest	71,280,564
Capital Leases (Note 8)	58,078
Early Retirement Incentives (Note 9)	963,221
Other Post Employment Benefits (Note 10)	572,414
Total Liabilities	81,651,146
Net Assets	
Investment in Capital Assets, Net of Related Debt	6,451,608
Restricted:	
For Capital Projects	1,310,627
For Debt Service	9,109,420
For Educational Programs	1,849,525
For Other Purposes	902,695
Unrestricted	2,728,983
Total Net Assets	$ 22,352,858

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 Assets: Governmental Activities
Governmental Activities					
Instruction	$ 40,580,800	$ 44,690	$ 7,613,492	$ 739,210	$ (32,183,408)
Instruction-Related Services:					
Supervision of Instruction	721,927	1,386	277,302		(443,239)
Instructional Library and Technology	415,113	2,324	170,965		(241,824)
School Site Administration	4,306,931	2,091	910,774		(3,394,066)
Pupil Services:					
Home-to-School Transportation	1,638,785	500,427	249,739		(888,619)
Food Services	2,058,626	1,349,316	828,153		118,843
Other Pupil Services	2,825,333	3,034	912,850		(1,909,449)
General Administration:					
Data Processing Services	582,468				(582,468)
Other General Administration	2,221,820	58,814	205,365		(1,957,641)
Plant Services	5,479,790	5,539	806,214		(4,668,037)
Ancillary Services	742,554	4,789	26,697		(711,068)
Community Services	300	19	109		(172)
Interest on Long-Term Debt	2,868,443				(2,868,443)
Other Outgo	261,775	27,135	273,585		38,945
Total Governmental Activities	$ 64,704,665	$ 1,999,564	$ 12,275,245	739,210	(49,690,646)
General Revenues					
Taxes Levied for General Purposes					17,528,645
Taxes Levied for Debt Service					5,923,654
Taxes Levied for Specific Purposes					406,641
Federal and State Aid - Unrestricted					23,496,249
Interest and Investment Earnings					504,735
Transfers from Other Agencies					190,197
Miscellaneous					1,378,511
Total General Revenues					49,428,632
Change in Net Assets Before Special Item					(262,014)
Special Item					
Loss from Disposition of Capital Assets					(847,154)
Change in Net Assets					(1,109,168)
Net Assets - July 1, 2008 (As Restated - Note 19)					23,462,026
Net Assets - June 30, 2009					$ 22,352,858

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and Investments (Note 2)	$ 5,752,582	$ 9,444,617	$ 2,232,780	$ 2,025,953	$ 19,455,932
Receivables (Note 4)	6,761,201			275,564	7,036,765
Due from Other Funds (Note 5)	92,297		3,000,000	683,294	3,775,591
Stores Inventory (Note 1J)				8,523	8,523
Prepaid Expenditures (Note 1J)	67,281				67,281
Total Assets	$ 12,673,361	$ 9,444,617	$ 5,232,780	$ 2,993,334	$ 30,344,092
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	$ 2,591,797		$ 4,342	$ 83,584	$ 2,679,723
Due to Other Funds (Note 5)	3,006,882			768,709	3,775,591
Deferred Revenue (Note 1J)	510,977				510,977
Total Liabilities	6,109,656		4,342	852,293	6,966,291
Fund Balances: (Note 13)					
Reserved	1,921,806	$ 9,444,617		8,723	11,375,146
Unreserved:					
Designated	3,758,328				3,758,328
Undesignated	883,571		5,228,438	2,132,318	8,244,327
Total Fund Balances	6,563,705	9,444,617	5,228,438	2,141,041	23,377,801
Total Liabilities and Fund Balances	$ 12,673,361	$ 9,444,617	$ 5,232,780	$ 2,993,334	$ 30,344,092

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		$ 23,377,801
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The amount that capital assets exceeded accumulated depreciation was:		
Capital Assets	$ 112,936,160	
Accumulated Depreciation	(41,557,168)	
		71,378,992
Earned but unavailable revenue is reported in governmental funds only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the statement of activities, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period was:		35,336
Unamortized costs: In governmental funds, bond discounts, bond refunding, and debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, bond discounts, bond refunding, and debt issuance costs are amortized over the life of the debt. Unamortized debt issuance related costs at the end of the period was:		
Cost of Issuance	$ 703,939	
Bond Refunding	5,352,572	
		6,056,511
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Compensated Absences	$ 186,084	
General Obligation Bonds	75,097,449	
Capital Leases	106,979	
Early Retirement Incentives	1,189,754	
Other Post Employment Benefits	572,414	
		(77,152,680)
Unmatured interest on long-term debt: In governmental funds, interest 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:		(1,343,102)
Total Net Assets - Governmental Activities		$ 22,352,858

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Bond Interest and Redemption	Building	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Revenue Limit Sources:					
State Apportionment	$ 20,052,470				$ 20,052,470
Local Taxes	17,528,645				17,528,645
Total Revenue Limit Sources	37,581,115				37,581,115
Federal Revenue	4,712,314			$ 767,291	5,479,605
State Revenue	6,433,547	$ 61,711		1,140,623	7,635,881
Local Revenue	5,489,604	6,168,960	$ 128,508	1,994,314	13,781,386
Total Revenues	54,216,580	6,230,671	128,508	3,902,228	64,477,987
Expenditures					
Instruction	38,029,790			123,085	38,152,875
Supervision of Instruction	687,152				687,152
Instructional Library and Technology	395,117				395,117
School Site Administration	4,046,614			52,853	4,099,467
Home-To-School Transportation	1,559,845				1,559,845
Food Services	31,323			1,928,139	1,959,462
Other Pupil Services	2,689,237				2,689,237
Data Processing Services	554,411				554,411
Other General Administration	2,068,531			83,858	2,152,389
Plant Services	5,226,922		300,420	120,045	5,647,387
Facilities Acquisition and Construction			(3,992)	1,119,167	1,115,175
Ancillary Services	322,207			420,347	742,554
Community Services	300				300
Debt Service:					
Principal Retirement	44,790	3,555,000			3,599,790
Interest and Issuance Costs	56,456	2,095,224			2,151,680
Other Outgo	149,723				149,723
Total Expenditures	55,862,418	5,650,224	296,428	3,847,494	65,656,564
Excess of Revenues Over (Under) Expenditures	(1,645,838)	580,447	(167,920)	54,734	(1,178,577)
Other Financing Sources (Uses)					
Operating Transfers In	3,309,909				3,309,909
Operating Transfers Out			(1,013,652)	(2,296,257)	(3,309,909)
Other Sources	11,037				11,037
Total Other Financing Sources (Uses)	3,320,946	0	(1,013,652)	(2,296,257)	11,037
Net Change in Fund Balances	1,675,108	580,447	(1,181,572)	(2,241,523)	(1,167,540)
Fund Balances - July 1, 2008	4,888,597	8,864,170	6,410,010	4,382,564	24,545,341
Fund Balances - June 30, 2009	$ 6,563,705	$ 9,444,617	$ 5,228,438	$ 2,141,041	$ 23,377,801

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

COTATI-ROHNERT PARK UNIFIED 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, 2009

Net Change in Fund Balances - Governmental Funds		$ (1,167,540)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. The amount that depreciation expense exceeded capital outlays during the year was:		
Capital Outlays	$ 1,546,733	
Depreciation Expense	(2,930,249)	
		(1,383,516)
Gain or loss on disposal of capital assets: In governmental funds, the entire proceeds from the disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital assets and the resulting loss is:		(847,154)
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 was:		(11,037)
Earned but unavailable revenue is reported in governmental funds only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the statement of activities, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period:		(35,336)
In the statement of activities, certain operating expenses-compensated absences (vacations), and other post employment benefits 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, the amounts earned exceeded the amounts used by:		(435,560)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General Obligation Bonds		
Current Interest	3,005,228	
Capital Appreciation	640,000	
Capital Leases	44,790	
		3,690,018
Bond discounts, bond refunding, and bond issuance costs are recognized as expenditures in the period they are incurred in governmental funds. In the government-wide statements, these costs are amortized over the life of the debt. The bond refunding and issuance costs amortized for the period are:		
Bond Refunding Amortized	(354,866)	
Cost of Issuance Amortized	(64,052)	
		(418,918)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The amount that accrued interest on outstanding general obligation bonds increased during the year was:		(459,161)
Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was:		(40,964)
Change in Net Assets of Governmental Activities		$ (1,109,168)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Agency Funds	Total Fiduciary Funds
Assets		
Deposits and Investments (Note 2)	$ 255,839	$ 255,839
Total Assets	255,839	255,839
Liabilities		
Accounts Payable	2,408	2,408
Due to Student Groups	253,431	253,431
Total Liabilities	255,839	255,839
Net Assets		
Restricted	0	0
Total Net Assets	$ 0	$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Cotati-Rohnert Park Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the District, which comprises an area in Sonoma County. The District was established in 1978 and serves students in kindergarten through grade twelve, as well as providing adult education programs.

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

The District is also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

B. Reporting Entity

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. Implementation of New Accounting Pronouncements

For the year ended June 30, 2009 the District was required to adopt Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The new statement significantly changes the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments are required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow. The effect of implementing GASB 45 resulted in a restatement of the beginning net assets balance as of July 1, 2008 due to the other post employment benefits obligation being reset to zero at the beginning of the transition year. Further detail on the restated amount is described in Note 19.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental and business type 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.

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.

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. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Concluded)

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.

F. 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's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

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 and related costs.

Building Fund is used to account for the acquisition of major governmental capital facilities and buildings financed by bond proceeds.

Non-major Governmental Funds:

Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

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

Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

Special Revenue - Special Reserve Fund was established for the purpose of accumulating funds for non capital outlay purposes.

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

County School Facilities Fund is used to account for state apportionments provided for construction and reconstruction of school facilities under SB50.

Capital Projects - Special Reserve Fund is used to account for various maintenance and capital outlay projects and AB87 funding.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Accounting (Concluded)

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund to account for student body activities at each participating school site.

G. 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 45.

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).

H. Use of Estimates

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

I. 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.

J. 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).

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

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.

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. Stores Inventory and Prepaid Expenditures/Expenses

Stores Inventory is recorded using the purchase method in that inventory is charged as expenditures when acquired, and inventory on hand at the end of the period is recorded as an asset.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

Reported inventories and prepaid expenses are equally offset by a net assets 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets, Liabilities and Equity (Continued)

3. Capital Assets (Concluded)

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	15-20
Buildings and Improvements	5-40
Furniture and Equipment	5-15

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 is 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 Assets. Bond premiums and discounts as well as issuance costs, when applicable, are deferred and amortized over the life of the bonds. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources or uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

J. Assets, Liabilities and Equity (Concluded)

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 4706 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

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

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.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, consist of the following:

	Governmental Activities	Fiduciary Activities
Cash on Hand and in Banks	$ 51,784	$ 255,839
Cash in Revolving Fund	5,200	
County Pool Investments	19,398,948	
Total Deposits and Investments	$ 19,455,932	$ 255,839

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Fund

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

County Pool Investments

County pool investments consists 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).

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

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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	$ 19,398,948	$ 19,464,904	$ 15,258,174	$ 4,140,774

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.

			Rating as of Year End		
Investment Type	Carrying Value	Fair Value	AAA	Aa	Unrated
County Pool Investments	$ 19,398,948	$ 19,464,904			$ 19,398,948

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 - 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, 2009, the District does not have any investments that are held by counterparties.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk - Deposits

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

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 the expenditure classification below for which the budget was not revised.

	Excess Expenditures
General Fund:	
Employee Benefits	$ 33,788

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2009, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	$ 1,277,955	$ 126,390	$ 1,404,345
State Government	3,844,325	3,435	3,847,760
Local Governments	1,474,245	96,099	1,570,344
Interest	580		580
Miscellaneous	164,096	49,640	213,736
Totals	$ 6,761,201	$ 275,564	$ 7,036,765

NOTE 5 - INTERFUND ACTIVITIES

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

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2009 were as follows:

Funds	Interfund Receivables	Interfund Payables
General	$ 92,297	$ 3,006,882
Building	3,000,000	
Cafeteria	55	49,653
Adult Education		41,141
Special Revenue - Special Reserve		3
Capital Facilities	676,412	1,500
Capital Projects - Special Reserve	6,827	
County School Facilities		676,412
Totals	$ 3,775,591	$ 3,775,591

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

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2008-09 were as follows:

Funds	Transfers In	Transfers Out
General	$ 3,309,909	
Building		$ 1,013,652
Deferred Maintenance		228,618
Adult Education		143,954
Special Revenue - Special Reserve		1,505,685
Capital Projects - Special Reserve		418,000
Totals	$ 3,309,909	$ 3,309,909

Transfer of $1,013,652 from Building Fund to General Fund for contribution to routine restricted maintenance account. (See Note 18C on page 43)

Transfer of $228,618 from Deferred Maintenance Fund to General Fund as allowed per the current year flexibility provisions.

Transfer of $143,954 from Adult Education Fund to General Fund to close the fund.

NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)

B. Interfund Transfers (Concluded)

Transfer of $1,505,685 from Special Revenue - Special Reserve Fund to General Fund to increase the available reserve in the General fund.

Transfer of $418,000 from Capital Projects - Special Reserve Fund to General Fund for contribution to routine restricted maintenance account.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2009, is shown below:

	Balances July 1, 2008	Additions	Deletions	Balances June 30, 2009
Land	$ 9,482,482			$ 9,482,482
Sites and Improvements	6,179,041	$ 162,972		6,342,013
Buildings and Improvements	86,519,047	10,321,982	$ 1,499,926	95,341,103
Furniture and Equipment	1,724,110	46,452		1,770,562
Work-in-Progress	8,984,673		8,984,673	0
Totals at Historical Cost	112,889,353	10,531,406	10,484,599	112,936,160
Less Accumulated Depreciation for:				
Sites and Improvements	5,027,794	215,662		5,243,456
Buildings and Improvements	32,972,853	2,572,916	652,772	34,892,997
Furniture and Equipment	1,279,044	141,671		1,420,715
Total Accumulated Depreciation	39,279,691	2,930,249	652,772	41,557,168
Governmental Activities Capital Assets, net	$ 73,609,662	$ 7,601,157	$ 9,831,827	$ 71,378,992

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$ 1,954,771
Supervision of Instruction	34,775
Instructional Library and Technology	19,996
School Site Administration	207,464
Home-To-School Transportation	78,940
Food Services	99,164
Other Pupil Services	136,096
Data Processing Services	28,057
Other General Administration	107,025
Plant Services	263,961
Total Depreciation Expense	$ 2,930,249

NOTE 7 - GENERAL OBLIGATION BONDS

All bonds that have been authorized in prior elections have been issued. The outstanding general obligation debt of the District as of June 30, 2009 is as follows:

A. Current Interest Bonds

Date of Issue	Interest Rate %	Date of Maturity	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
7/31/01	3.75-5.00	8/1/18	$ 9,455,000	$ 485,000		$ 485,000	$ 0
2/1/01	4.25-7.25	8/1/25	7,500,000	7,115,000		190,000	6,925,000
3/1/01	3.00-4.90	8/1/19	16,685,000	12,135,000		750,000	11,385,000
10/1/03	2.0-6.625	8/1/16	18,525,000	13,060,000		1,370,000	11,690,000
7/13/05	4.00-5.00	8/1/24	25,765,000	25,765,000		0	25,765,000
7/13/05	3.00-5.00	8/1/18	6,450,000	6,450,000		0	6,450,000
7/19/06	4.00-7.00	8/1/26	11,005,000	10,935,000		120,000	10,815,000
Subtotals			95,385,000	75,945,000		2,915,000	73,030,000
Plus: Unamortized Premium			1,683,995	1,416,020		90,228	1,325,792
Totals			$97,068,995	$77,361,020	$ 0	$ 3,005,228	$74,355,792

The annual requirements to amortize the bonds payable, outstanding as of June 30, 2009, are as follows:

Year Ended June 30	Principal	Interest	Totals
2010	$ 2,985,000	$ 3,205,761	$ 6,190,761
2011	2,800,000	3,098,641	5,898,641
2012	3,010,000	2,991,890	6,001,890
2013	3,260,000	2,870,329	6,130,329
2014	3,515,000	2,732,376	6,247,376
2015-2019	21,965,000	11,063,049	33,028,049
2020-2024	27,245,000	4,945,370	32,190,370
2025-2029	8,250,000	398,614	8,648,614
Subtotals	73,030,000	31,306,030	104,336,030
Plus: Unamortized Premium	1,325,792	0	1,325,792
Totals	$ 74,355,792	$ 31,306,030	$ 105,661,822

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

B. Capital Appreciation Bonds

Date of Issue	Interest Rate %	Date of Maturity	Amount of Original Issue	Outstanding July 1, 2008	Accreted Interest Current Year	Redeemed Current Year	Outstanding June 30, 2009
2/13/97	4.80-6.20	8/1/21	$ 8,999,095	$ 973,136	$ 29,463	$ 470,000	$ 532,599
8/3/99	4.00-5.75	8/1/24	6,398,152	367,557	11,501	170,000	209,058
Totals			$ 15,397,247	$ 1,340,693	$ 40,964	$ 640,000	$ 741,657

The outstanding obligation for the 1990 Series F capital appreciation bonds at June 30, 2009, is as follows:

Maturity Date	Interest Rate %	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2009
2010	5.35	$ 277,012	$ 255,587	$ 532,599

The annual requirements to amortize the 1990 Series F capital appreciation bonds at June 30, 2009, are as follows:

Year Ended June 30	Principal	Interest	Totals
2010	$ 277,012	$ 257,988	$ 535,000

The outstanding obligation for the 1990 Series G capital appreciation bonds at June 30, 2009, is as follows:

Maturity Date	Interest Rate %	Amount of Original Issue (Principal)	Accreted Interest	Outstanding June 30, 2009
2010	4.90	$ 129,448	$ 79,610	$ 209,058

The annual requirements to amortize the 1990 Series G capital appreciation bonds at June 30, 2009, are as follows:

Year Ended June 30	Principal	Interest	Totals
2010	$ 129,448	$ 80,552	$ 210,000

NOTE 8 - CAPITAL LEASES

The District entered into lease agreements for the acquisition of technology equipment, valued at $246,109. Each of these agreements provide for title to pass upon expiration of the lease periods. Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2010	$ 55,012
2011	55,012
2012	2,431
2013	2,431
2014	1,823
Total	116,709
Less amounts representing interest	(9,730)
Present value of net minimum lease payments	$ 106,979

The District will receive no sublease revenues nor pay any contingent rentals for these assets.

NOTE 9 - EARLY RETIREMENT INCENTIVES

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

In addition, the District contributes to PARS, a supplemental retirement plan to STRS administered by PARS. The plan provides a supplemental benefit to STRS and payments are fixed at retirement and do not increase thereafter (No COLA). Payouts are made based on the option determined by the participants and may or may not include payments to their beneficiary depending on the option chosen. The District entered into a multi-year annuity to make contributions to the PARS Supplementary Retirement Plan.

Future estimated payments required under these programs are as follows:

Year Ended June 30	Early Retirement Incentive	PARS Supplementary	Totals
2010	$ 42,435	$ 184,098	$ 226,533
2011	42,435	184,097	226,532
2012	33,348	155,085	188,433
2013	27,261	445,210	472,471
2014	21,218		21,218
2015-2019	54,567		54,567
Totals	$ 221,264	$ 968,490	$ 1,189,754

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post employment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of post employment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District is adopting the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008-09 fiscal year.

Plan Descriptions: The District provides retiree health benefits, based on age, service and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

The District provides coverage to employees who retire from active status at a minimum age of 55 with at least 10 years of service and are eligible for pension benefits from CalSTRS and to employees who retire from active status at a minimum age of 50 with at least 15 years of services and are eligible for pension benefits from CalPERS. The District and retirees share in the cost of benefits as follows:

Medical Benefits: The District subsidizes the percent noted of the single rate for the various periods noted in table below. The retiree is responsible for self-paying any increases to his/her own premiums during the subsidized period and for self-paying 100% of all premiums for spouses or dependents of any age.

Group	Subsidized Percent	Subsidized Period
SEIU	100%	10 years or age 65, whichever comes first
CSEA & non-represented confidential	100%	10 years or age 65, whichever comes first
Certificated & non-represented mgmt. and supervisors (10-14 years of service)	100%	5 years or age 65, whichever comes first
Certificated & non-represented mgmt. and supervisors (15+ years of service)	100%	Until age 65

Dental & Vision: The retiree is responsible for self-paying any costs associated with his/her coverage plus the costs for spouses or dependents of any age.

Life Insurance Benefits: The retiree self pays 100% of the premium up to age 70, at which point coverage ceases.

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.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

For the District, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of June 30, 2007, the effective date of the biennial OPEB valuation is as follows.

Retired employees	148
Active employees fully eligible for benefits	158
Active employees not yet fully eligible for benefits	392
Total	698

Funding Policy: The District currently pays for post employment health care benefits on a pay-as-you-go basis. Although the District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Annual Other Post Employment Benefit Cost: For the fiscal year ended June 30, 2009, the District's Annual OPEB Cost (i.e. expense) of $1,374,200 is equal to the Annual Required Contribution for the initial year. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled $801,786, the result was an increase in the District's Net OPEB Obligation of $572,414 for the year ended June 30, 2009.

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method

Normal cost with interest to end of year	$ 641,100
Amortization of UAAL with interest to end of year	733,100
Annual required contribution (ARC)	1,374,200
Interest on Net OPEB Obligation	0
Adjustment to ARC	(0)
Annual OPEB cost (expense)	1,374,200
Contributions for the fiscal year	(801,786)
Increase in Net OPEB Obligation	572,414
Net OPEB Obligation - June 30, 2008	0
Net OPEB Obligation - June 30, 2009	$ 572,414
Percent of annual OPEB cost contributed	58.3%

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

Annual Other Post Employment Benefit Cost: (Concluded)

Benefit Obligations

Actuarial Accrued Liability (AAL)

Retired employees	$ 2,928,200
Active Employees	10,385,700
Unfunded actuarial accrued liability (UAAL)	$ 13,313,900
Annual covered payroll	$ 25,349,100
UAAL as % of covered payroll	53%

In future years, three-year trend information will be presented. Fiscal year 2008-09 was the first year of implementation for GASB Statement No. 45 and the District elected to implement prospectively, therefore, prior year comparative data is not available.

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 June 30, 2007, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization method over a rolling 30 years. The actuarial assumptions utilized a 3.75% discount rate, the expected long-term rate of return on District assets. The valuation assumes between 12.5-14.5% healthcare cost trend rate which grades down to an ultimate rate of 5.5% by year 2019-20. Dental and vision trends are 2% and 1.5%, respectively, for all years.

NOTE 11 - LONG-TERM FACILITY LEASE

The District has entered into a joint facility use agreement with the California State University-Sonoma Campus for 15,000 square feet of space to be utilized for the Math, Science, and Technology High School. The lease runs through June 30, 2024, but all payments have already been made. The District will receive no sublease rental revenues nor pay any contingent rentals for this property.

NOTE 12 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2009, is shown below:

	Balances July 1, 2008	Additions	Deductions	Balances June 30, 2009	Due within One Year
Compensated Absences	$ 223,678	$ 186,084	$ 223,678	$ 186,084	$ 186,084
General Obligation Bonds:					
Current Interest	77,361,020		3,005,228	74,355,792	3,075,228
Capital Appreciation	1,340,693	40,964	640,000	741,657	741,657
Capital Leases	140,732	11,037	44,790	106,979	48,901
Early Retirement Incentives *	1,289,014	678,991	778,251	1,189,754	226,533
Other Post Employment Benefits *	0	1,374,200	801,786	572,414	
Totals *	$ 80,355,137	$ 2,291,276	$ 5,493,733	$ 77,152,680	$ 4,278,403

* The prior year balances have been adjusted to reflect the implementation of GASB Statement No. 45, beginning in fiscal year 2008-09. (Note 19)

NOTE 13 - FUND BALANCES

The District's fund balances at June 30, 2009 consisted of the following:

	General Fund	Bond Interest & Redemption Fund	Building Fund	Non-Major Governmental Funds	Totals
Reserved For:					
Revolving Fund	$ 5,000			$ 200	$ 5,200
Stores Inventory				8,523	8,523
Prepaid Expenditures	67,281				67,281
Debt Service		$ 9,444,617			9,444,617
Legally Restricted Balances	1,849,525				1,849,525
Unreserved:					
Designated For:					
Economic Uncertainties	1,675,873				1,675,873
Other Designations	2,082,455				2,082,455
Undesignated	883,571		$ 5,228,438	2,132,318	8,244,327
Total Fund Balances	$ 6,563,705	$ 9,444,617	$ 5,228,438	$ 2,141,041	$ 23,377,801

NOTE 14 - 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 State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ended June 30, 2009, 2008, and 2007, were $1,980,971, $2,024,740, and $2,045,176, 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 P Street, Sacramento, CA 95814.

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 2008-09 was 9.428%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2009, 2008, and 2007, were $598,037, $595,897, and $529,281, respectively, and equal 100% of the required contributions for each year.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

C. 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 alternative plan. Contributions made by the District and participating employees vest immediately. The District is required to contribute 6.2% of each employee's gross earnings. In addition, each employee is required to contribute 6.2% of his or her gross earnings.

NOTE 15 - 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 State Teachers' Retirement System (STRS) for K-12 Education. These payments consist of state general fund contributions to STRS of $1,081,390 (4.517% of salaries subject to STRS).

NOTE 16 - 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 2008-09, 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 in any of the past three years.

NOTE 17 - JOINT VENTURES

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 coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

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

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. 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 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

B. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the reviews or audits disclose exceptions, the District may incur a liability to the grantor agencies.

C. Potential Questioned Costs

As discussed in **Finding 09 - 1 / 30000** in the Findings and Questioned Costs Section of this report, the District made a $1,013,652 transfer from the Building Fund to the General Fund to provide funding for the District's contribution to the Routine Restricted Maintenance Account. In addition, similar transfers of varying amounts have been made over the past nine years totaling $5,413,866. These transfers were authorized by the Board based upon a variety of legal opinions obtained by the District which stated that the transfer of interest earnings generated from unspent bond proceeds may appropriately be transferred to the General Fund. During the prior year annual audit, it was discovered that the legal opinions that the District relied upon in making these transfers may not be adequately supported by state law. As a result, a legal opinion has been requested from the state, which will hopefully provide definitive guidance as to whether or not such a transfer is allowable. As of the completion of the annual audit, no legal opinion has been issued by the state. Therefore, there is no way to reasonably determine the allowability of the current year or prior year transfers. Accordingly, these financial statements do not contain any adjustments related to a possible adverse legal opinion. However, it should be noted that if an adverse opinion is issued, the District may be required to repay the Building Fund from unrestricted General Fund sources, which may significantly reduce the District's available reserves and decrease the amount of funds that will be available for General Fund purposes in the future.

NOTE 19 - RESTATEMENT OF NET ASSETS

The July 1, 2008 government-wide net assets balance has been restated to reflect the adjustment to the Other Post Employment Benefits (OPEB) liability. The OPEB liability has been set at zero at the beginning of fiscal year 2008-09, the transition year for the implementation of GASB Statement No. 45. The effect of the restatement on the current year financial statements is as follows:

	Statement of Activities
Net Assets - July 1, 2008 (as originally stated)	$ 19,807,285
Elimination of OPEB liability	3,654,741
Net Assets - July 1, 2008 (as restated)	$ 23,462,026

NOTE 20 - SUBSEQUENT EVENTS

A. Budget Amendments

On July 28, 2009 Governor Schwarzenegger signed a package of bills amending the 2008-09 and 2009-10 California State budgets. The budget amendments were designed to address the State's budget gap of $24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a state-wide basis, $1.6 billion in 2008-09 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amount associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009" to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-10 to backfill $1.5 billion of these cuts to repay the 2008-09 reversion of the undistributed categorical program balances.

The District recorded the revenues and related receivables associated with its portion of the unallocated, unexpended or unliquidated categorical program balances identified in the July 2009 State Budget package prior to receiving notification from the State that the 2009-10 re-appropriation should not be accrued. In accordance with Governmental Accounting Standards Board Statement No. 33, adjustments to reduce the revenues and related receivables have been included in these financial statements.

B. Tax and Revenue Anticipation Notes (TRAN)

On July 1, 2009, in association with the California Schools Cash Reserve Program, the District issued tax and revenue anticipation notes (TRANS) in the amount of $5,000,000. The notes mature on July 1, 2010, and bear interest at 2.5%. Proceeds from the notes were deposited into the District's General Fund and are required to be repaid during fiscal year 2009-10, in accordance with the TRAN repayment schedule.

APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The District covers approximately 15.4 square miles in the central portion of Sonoma County (the "**County**"). The District currently operates six elementary schools, one middle schools, one comprehensive high school, one technology school, one necessary small high school, and one continuation high school. Enrollment for the 2010-11 school year is estimated to be 5,697 students.

Administration

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

Name	Position	Term Expires
Karyn Pulley	President	December 2012
Ed Gilardi	Clerk	December 2012
Leffler Brown	Member	December 2010
Eric Kirchmann	Member	December 2010
George Steffensen	Member	December 2010

Superintendent*.* The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Barbara Vrankovich is currently serving as Superintendent.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last five fiscal years, with estimated enrollment figures for 2010-11 and 2011-12.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2005-06 through 2010-11

School Year	Enrollment	% Change
2005-06	7,023	--
2006-07	6,814	(3.0)%
2007-08	6,594	(3.2)
2008-09	6,387	(3.1)
2009-10	6,166	(3.5)
2010-11	5,964	(3.3)
2011-12 (1)	5,766	(3.3)

(1) District estimate.
Source: California Department of Education, Educational Demographics Unit; The District.

Employee Relations

The District has approximately 487 total full and part-time employees. There are three formal bargaining units operating in the District, described in the following table.

Labor Organization	No. of Employees	Contract Expires
Rohnert Park Cotati Educators Association	284	June 30, 2010
California Schools Employees Association	99	June 30, 2010
Service Employees International Union	77	June 30, 2010

District Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**").

All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll.

The District's contribution to STRS for fiscal year 2008-09 was $1,980,971, for fiscal year 2009-10 was $1,778,266 (estimated actual) and for fiscal year 2010-11 is budgeted to be $1,559,416.

All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

The District's contribution to PERS for fiscal year 2008-09 was $598,037, was $507,684 (estimated actual) for fiscal year 2009-10 and for fiscal year 2010-11 is budgeted to be $526,967.

Early Retirement Incentives

Under the District's collective bargaining agreements, certain eligible employees under age 63 are entitled to early retirement incentive payments of a stipulated amount for a set number of years depending on their age at retirement. In addition, the District contributes to PARS, a supplemental retirement plan to STRS administered by PARS. The plan provides a supplemental benefit to STRS and payments are fixed at retirement and do not increase thereafter (No COLA). Payouts are made based on the option determined by the participants and may or may not include payments to their beneficiary depending on the option chosen. The District entered into a multi-year annuity to make contributions to the PARS Supplementary Retirement Plan.

Other Post-Employment Retirement Benefits

GASB 45. In June 2004, the Governmental Accounting Standards Board (**"GASB"**) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (**"GASB 45"**). The pronouncement requires employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB 45 was effective for the District for the fiscal year ending June 30, 2009. GASB 45 provides that school districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions for the period of time agreed in union contracts.

Plan Description. The District provides retiree health benefits, based on age, service and eligibility for pension benefits under either STRS or PERS (the "**Plans**"). The District The District provides coverage to employees who retire from active status at a minimum age of 55 with at least 1 0 years of service and are eligible for pension benefits from STRS and to employees who retire from active status at a minimum age of 50 with at least years of services and are eligible for pension benefits from PERS. Benefits and contribution requirements for the Plans are established by various labor agreements.

Funding Policy. The District currently finances benefits for OPEB on a pay-as-you-go basis. The District is studying the establishment of a trust to accumulate and invest assets necessary to pay for the accumulated liability.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit (**"OPEB"**) cost is calculated based on the annual required contribution of the employer (**"ARC"**), an amount actuarially determined in accordance with the parameters of GASB 45. GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize the expense and related liabilities and assets in their financial statements.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (**"UAAL"**) over a period not to exceed thirty years. For fiscal year 2008-09, the District's annual OPEB cost of $1,374,200 is equal to the ARC for the initial year. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled $801,786, the result was an increase in the District's Net OPEB liability of $572,414 for fiscal year 2008-09.

The following table summarizes the District's OPEB liability.

Normal cost with interest to year end	$ 641,100
Amortization of UAAL with interest to year end	733,100
Annual required contribution	$1,734,200
Interest on net OPEB obligation	0
Adjustment to annual required contribution	(0)
Annual OPEB cost	1,734,200
Contributions made	(801,786)
Increase (decrease)in net OPEB obligation	572,414
Net pension obligation beginning of year	0
Net pension asset end of year	572,414
Percent of annual OPEB cost contributed	58.3%

Accounting Practices

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

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see "APPENDIX A – Audited Financial Statements of the District for the Year ending June 30, 2009 – Note 1 Significant Accounting Policies" herein.

The Governmental Accounting Standards Board (**"GASB"**) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" was adopted on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. The District implemented Statement No. 34 for the fiscal year 2003-04 audited financial statement.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2009 Audited Financial Statements were prepared by Stephen Roatch Accountancy Corporation, Folsom, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2009, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 5860 Labath Avenue, Sonoma, Rohnert Park 94928, Phone: (707) 792-4722. See Appendix A hereto for the June 30, 2009 Audited Financial Statements.

Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

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

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited general fund income and expense statements for the District for the fiscal years 2006-07 through 2008-09.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2006-07 through 2008-09 (Audited)

	2006-07 Audited	2007-08 Audited	2008-09 Audited
Revenues			
Revenue Limit: State apportionments	$23,494,032	$22,965,533	$20,052,470
Revenue Limit: Local sources	15,763,018	16,513,536	17,528,645
Total Revenue Limit	39,257,050	39,479,069	37,581,115
Federal Revenue	2,486,333	2,395,320	4,712,314
Other State Revenue	9,223,037	7,602,512	6,433,547
Other Local Revenue	4,299,832	4,262,681	5,489,604
Total Revenue	55,266,252	53,739,582	54,216,580
Expenditures			
Instruction	36,676,901	37,902,087	38,029,790
Supervision of instruction	758,440	794,844	687,152
Instructional library and technology	629,820	404,514	395,117
School site administration	4,320,001	4,415,436	4,046,614
Home-to-school transportation	770,702	806,559	1,559,845
Food services	3,744	32,457	31,323
Other pupil services	2,099,067	2,620,767	2,689,237
Data processing services	729,071	753,588	554,411
Other general administration	2,108,879	2,111,902	2,068,531
Plant services	5,265,057	5,434,189	5,226,922
Facilities acquisition and construction	74,811		
Ancillary services	261,853	279,586	322,207
Community services			300
Debt service- principal	52,581	41,759	44,790
Debt service- interest, issuance costs	212,088	101,387	56,456
Other outgo	573,148	529,589	149,723
Total Expenditures	54,536,163	56,228,664	55,862,418
Excess (deficiency) of revenues over (under) expenditures	730,089	(2,489,082)	(1,645,838)
Other Financing Sources (Uses)			
Operating transfers in	1,217,889	1,680,000	3,309,909
Operating transfers out	(1,520,913)	(259,137)	--
Other sources	235,072	--	11,037
Total Other Financing Sources	(67,952)	1,420,863	3,320,946
Net change in fund balance	662,137	(1,068,219)	1,675,108
Beginning Balance	5,294,679	5,956,816	4,888,597
Ending Balance	$5,956,816	$4,888,597	$6,563,705

Source: The District's Audited Financial Statements.

The following table shows the General Fund income and expense statements for the District for the fiscal years 2009-10 (Unaudited actuals) and 2010-11 (budgeted). The District's budgets and interim reports are not prepared in compliance with GASB Statement No. 34 requirements. Totals may not foot due to rounding.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2009-10 (Unaudited Actual)
Fiscal Year 2010-11 (Budgeted)

	Unaudited 2009-10	Budgeted 2010-11
REVENUES		
Revenue Limit Sources	$32,470,484.35	$30,977,851.00
Federal	4,031,970.75	2,420,883.00
Other State	6,858,687.65	5,888,281.00
Other Local	3,888,827.99	3,308,441.00
Total Revenues	47,249,970.74	42,595,456.00
EXPENDITURES		
Certificated Salaries	21,451,378.30	19,238,637.00
Classified Salaries	5,639,609.18	5,153,069.00
Employee Benefits	11,277,344.46	11,087,898.00
Books and Supplies	881,776.86	819,797.00
Services, other operating expenses	10,985,356.47	9,191,044.00
Capital Outlay	22,776.04	0.00
Other Outgo (Excl. Indirect Costs)	82,295.81	1,275,535.00
Indirect/Direct support costs	(29,716.00)	(41,574.00)
Total Expenditures	50,310,821.12	46,724,406.00
Revenues Over (Under) Expends	(3,060,850.38)	(4,128,950.00)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In	1,168,081.83	430,000.00
Operating Transfers Out	(111,841.83)	0.00
Net Financing Sources (Uses)	0.00	0.00
Contributions	509,841.83	0.00
Total Other Sources/Uses	1,566,081.83	430,000.00
Net Change in Fund Balance	(1,494,768.55)	(3,698,950.00)
Fund Balance, July 1 (Unaudited)	7,081,602.70	5,068,935.15
Audit Adjustments	(517,899.00)	0.00
Fund Balance, July 1 (Audited)	6,563,703.70	5,068,935.15
Adjusted Fund Balance	6,563,703.70	5,068,935.15
Fund Balance, June 30	$ 5,068,935.13	$ 1,369,985.15

Source: The District.

District Budget and Interim Financial Reporting

Budgeting - Education Code 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 Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 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 1 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. The District adopted its 2010-11 Budget on June 29, 2010.

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 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. The law does not provide for conditional approvals; budgets must be either approved or disapproved. 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 and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final 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 Section 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 Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues 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 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.

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

District's Budget Approval/Disapproval and Certification History. The District self-certified a negative certification on its 2009-10 2nd Interim Report based on projections of ongoing revenues and expenses for 2010-11 and beyond. The County Office of Education assigned a fiscal advisor to the District to assist the District in the development of sustainable budgets. The District has made significant budget cuts, including increasing class sizes, closing and consolidating schools, and reducing the work year for all employees. The County Office of Education accepted the District's 2010-11 Budget.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 5860 Labath Avenue, Sonoma, Rohnert Park 94928, Phone: (707) 792-4722. The District may impose charges for copying, mailing and handling.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance (**"A.D.A."**). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue, and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Currently the State allocates basic aid funding to categorical entitlements that would have been received in any event. Such districts are commonly known as "Basic Aid Districts." The District is <u>not</u> a Basic Aid district.

A schedule of the District's A.D.A. and base revenue limit during the past five years, as well as a projection for 2010-11, is shown below.

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
Average Daily Attendance and Revenue Limit
Fiscal Years 2005-06 through 2010-11

Fiscal Year	Base Revenue Limit per Unit of Average Daily Attendance	Average Daily Attendance	Total Revenue Limit
2005-06	$5,014	6,680	$37,458,968
2006-07	5,589	6,491	39,257,050
2007-08	5,779	6,310	39,479,069
2008-09	5,629	6,130	37,581,115
2009-10	4,948	5,982	32,470,484
2010-11 (1)	5,218	5,918	30,977,851

(1) Budgeted.

Source: The District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues		
Revenue Source	2008-09	2009-10 (1)	2010-11 (2)
Revenue limit sources	69.3%	68.7%	72.7%
Federal revenues	8.7	8.5	5.7
Other State revenues	11.9	14.5	13.8
Other local revenues	10.1	8.2	7.8

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

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues. 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 are to be shared with local taxing entities within each county.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, home-to-school transportation, Economic Impact Aid, and mandated cost reimbursements.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in lottery revenues over 1997-98 levels must be restricted to use on instructional materials. Lottery revenues generally comprise approximately 2% of general fund revenues.

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

Existing Debt Obligations

Long-Term Facility Lease. The District has entered into a joint facility use agreement with the California State University-Sonoma Campus for 15,000 square feet of space to be utilized for the Technology High School. The lease runs through June 30, 2024, but all payments have already been made. The District will receive no sublease rental revenues nor pay any contingent rentals for this property.

Capital Lease Obligations. The District leases technology equipment under agreements that provide for title to pass upon expiration of the lease period. Future payments under the leases are shown in the following table, as of June 30, 2009. The final payment is due in 2013-14.

Year Ending June 30	Total Lease Payments
2010	$55,012
2011	55,012
2012	2,431
2013	2,431
2014	1,823
Total	116,709
Less: Amount Representing Interest	(9,730)
Present Value of Minimum Lease Payments	$106,979

General Obligation Bonds. All bonds that have been authorized in prior elections have been issued. The District currently (prior to this refunding) has $67,245,000 aggregate principal amount of outstanding general obligation bonds, For the remaining debt service payments due on the District’s outstanding general obligation bonds, see “DEBT SERVICE SCHEDULES” herein.

Investment of District Funds

The Education Code provides that the funds of school districts, except as otherwise set forth below, shall be deposited into the County Treasury to the credit of the proper fund of the school district. The Education Code provides that certain moneys not required for the immediate necessities of a school district may be invested in investments specified in Section 16430 or 53601 of the Government Code. Accordingly, all funds of school and community college districts not subject to the exception, including cash receipts and other moneys received by each district for deposit to the general fund of such district, are deposited with the County Treasury, to remain on deposit therein and generally available for the payment of current expenses and other obligations of such school district until deposited into their respective Lease Payment Accounts, or otherwise. For a discussion of the County Treasury, see APPENDIX G – "THE SONOMA COUNTY POOLED SURPLUS INVESTMENTS." Moneys deposited with the Trustee under any Trust Agreement are not required to be deposited in the County Treasury.

Moneys deposited in the Escrow Fund to be used for refunding the prior bonds described herein will be held and invested by the Escrow Bank. See "THE FINANCING PLAN."

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "—State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS"), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limitations" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

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

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

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

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

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

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

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

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

- The State Legislative Analyst's Office (the "LAO") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("**AB 1755**"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to $135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of $15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 9 to 13 years.

<u>November 18, 2009 - LAO Report on Fiscal Year 20010-11</u>. On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a general fund budget problem of $20.7 billion. The budget problem consists of a $6.3 billion projected deficit for fiscal year 2009-10 and a $14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

<u>January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature</u>. The Governor submitted his 2010-11 Budget to the State Legislature on January 8, 2010. The 2010-11 Proposed Budget acknowledged a projected budget gap of $19.9 billion, comprised of a 2009-10 shortfall of $6.6 billion, a 2010-11 budget year shortfall of $12.3 billion and a modest reserve of $1 billion. The Governor proposed a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the $19.9 billion budget gap. Approximately 40% of the solutions relied on the federal government for funding or flexibility, another 40% rely on reductions in State spending, and the remaining 20% consists of various fund shifts.

With respect to K-12 funding, the 2010-11 Budget proposed full funding of the Proposition 98 minimum guarantee, but a reduction of approximately 10% in funding for administration and other non-instruction related spending. The Budget included various flexible spending propositions, including those with respect to teacher seniority, substitute costs, staffing notification requirements, and reduced school year. Non-Proposition 98 programs funded with State general fund monies were proposed to be reduced by $2 million, or 0.2%.

LAO Reports. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of an $18.9 billion budget problem was reasonable but was $3.1 billion smaller than the LAO estimates and may be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relied heavily on federal relief, which the State was unlikely to receive in the amounts requested.

On February 25, 2010, the LAO released a report commenting on the 2010-11 Proposed Budget's Proposition 98 and K-12 Education proposals. The LAO report stated that the Governor's Proposed Budget would result in reductions in Proposition 98 funding levels from what is required by approximately $2.2 billion in 2009-10 and approximately $3.2 billion in 2010-11. K-12 revenue limit funding would be cut by $1.5 billion and virtually all education mandates would be suspended in 2010-11. These reductions were based in part on the Governor's interpretation of "minimum guarantee" as described under "Proposition 98 Funding" above. According to the LAO report, the 2010-11 Proposed Budget took steps in the right direction by reducing costs, providing flexibility and seeking federal funding, but it also missed opportunities for meaningful reform and was based on several assumptions that, if they did not come to pass, would render the plan unworkable.

May 12, 2010 – Governor Submitted May Revise to 2010-11 Budget. The Governor submitted a revised 2010-11 Budget which called for $12.4 billion in spending cuts to help bridge a $20 billion deficit over the 2010-11 fiscal year. The May Revise cut heavily into State programs, such as CalWORKS, mental health, childcare and some natural resources programs.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall was reasonable. However, the LAO Report advised the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urged the Legislature to suspend Proposition 98 if the minimum guarantee was above the level that the State could afford. The LAO predicted that even if the Legislature approved all of the painful cuts and realized the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between $4 billion and $7 billion was likely to persist in future years.

July 1, 2010: 2010-11 Fiscal Year Begins. The June 15, 2010 deadline for the State Legislature to pass the State Budget bill passed and the 2010-11 Budget Act, which must be approved by a two-thirds majority vote of each House of the Legislature, had not yet been approved.

July 28, 2010 – Governor Declared Financial State of Emergency. The Governor declared a financial state of emergency and ordered 150,000 state workers to take furlough three days per month. The legislative session ended on August 31, 2010 and lawmakers voted on two competing budget proposals – the Governor's and a joint state budget plan of Democratic leaders in the Assembly and the Senate. Both budget plans failed on party-line votes.

On August 23, 2010, in an effort to conserve cash and delay the need to issue IOUs, state officials decided to start delaying school payments of $2.5 billion a month in September through December. This came after a $2.5 billion deferral in July.

October 8, 2010 – 2010-11 Budget Adopted. The Legislature passed the $87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by $963 million in order to raise the reserve level from $375 million to $1.3 billion. Total expenditure reductions are $8.4 billion. The 2010-11 Budget assumes federal funds of $5.4 billion and other solutions of almost $5.5 billion.

The 2010-11 Budget includes:

Pension Reform. The 2010-11 Budget proposes legislation to decrease pension benefits for State employees hired in the future. The pension reform rolls back retirement formulas used to calculate pension payments and includes permanent increases in pension contributions.

Suspension of Education Spending; Deferrals. The Legislature suspended Proposition 98's minimum guaranty to provide $49.7 billion in spending on K-14 Education in 2010-11. Funds of $300 million are provided in the 2010-11 Budget to meet the State's outstanding 2009-10 Proposition 98 settle-up obligation. In addition, related budget bills provide K-12 education with $1.5 billion in special one-time federal funding. The 2010-11 Budget Package defers $1.9 billion in additional K-14 payments to July 2011.

Cost Reductions in Employee Compensation, Health and Social Services, Criminal Justice. The 2010-11 Budget provides $1.6 billion in personnel cost reductions through revisions to union agreements, and a "workforce cap" which consists of reductions in hiring and reduced operating costs. Furthermore, $300 million in reductions are made to the In-Home Supportive Services Program and $187 million in savings to Medi-Cal. A total of $1.1 billion in General Fund savings within the Department of Corrections is assumed.

Federal Funding Assumptions. The 2010-11 Budget includes assumptions that the federal government will provide funding or approval for certain reductions in State costs or service levels, resulting in a reduction in General Fund costs by $5.4 billion. About $1.3 billion has been approved by the Congress and the President. Most of the federal funding assumed in the 2010-11 Budget has yet to be approved by Congress.

Revenue-Related Solutions. The 2010-11 Budget extends for two additional tax years the previously enacted temporary suspension of businesses' ability to use net operating losses to reduce tax liabilities, projected to increase State revenues by $1.2 billion in 2010-11 and by $400 million in 2011-12. The budget plan assumes $1.2 billion in one-time revenue from the sale of 11 State office properties. The Budget plan includes $2.7 billion of loans, loan repayment extensions, transfers and fund shifts from special funds.

Measure for Budget Reform. The Legislature approved a measure to place a budget reform constitutional amendment before the voters at a future statewide election, intended to increase the State's budgetary reserves and stabilize the State's financial health over time. The measure would double the maximum size of the Budget Stabilization Account and provide more stringent deposit requirements.

LAO Report. The LAO estimates that well over two-thirds of the 2010-11 Budget solutions are one-time or temporary in nature, meaning that California will continue to face sizable annual budget problems in 2011-12 and beyond.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading "California Budget". Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by these references.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets. However, the obligation to levy *ad valorem* taxes upon all taxable property within the District for the payment of principal and interest on the Refunding Bonds would not be impaired.

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

2010 Legal Challenge to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in a change in how school finance is implemented in the State of California.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. As described under "THE REFUNDING BONDS – Authority for Issuance", the District received authorization by a requisite 55% of voters to issue the Refunding Bonds and has stated that it will comply with all applicable accountability measures required by law. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

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

Unitary Property

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

Constitutional Appropriations Limitation

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

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

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

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

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

Article XIIIC and Article XIIID of the California Constitution

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

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

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Refunding Bonds.

Proposition 62

A statutory initiative ("**Proposition 62**") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income. 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 1A

On November 2, 2004, California 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 can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also 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.

Application of Constitutional and Statutory Provisions; Recent Lawsuit

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets.”

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance that is intentionally, rationally and demonstrably aligned with the State’s prescribed educational program and provides equal access and an equal educational opportunity to all school-aged children in the State. The District cannot predict the outcome of the *Robles-Wong* litigation.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98 and 111 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITIES OF ROHNERT PARK AND COTATI AND SONOMA COUNTY

The following information concerning the County and the cities listed above is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the County, listed cities, the State or any of its political subdivisions, and neither the said County, the listed cities, said State nor any of its political subdivisions is liable therefor.

Location

Rohnert Park and Cotati are located in southern Sonoma County, along Highway 101 approximately 8 miles south of Santa Rosa and approximately 50 miles north of San Francisco. The County covers approximately 1,580 square miles. Varied terrain in the County includes Pacific coastline, the Russian River, vineyards, and old growth redwoods. Sonoma County is the original home of wine production in northern California and still the largest producer of quality wine.

Population

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

COUNTY OF SONOMA
Population

	2006	2007	2008	2009	2010
Cloverdale	8,412	8,479	8,541	8,569	8,636
Cotati	**7,348**	**7,503**	**7,382**	**7,418**	**7,476**
Healdsburg	11,648	11,654	11,656	11,800	11,931
Petaluma	56,455	56,743	57,187	57,817	58,401
Rohnert Park	**42,824**	**42,772**	**42,879**	**43,081**	**43,398**
Santa Rosa	156,407	157,319	159,317	161,716	163,436
Sebastopol	7,718	7,727	7,680	7,745	7,943
Sonoma	9,844	9,898	9,901	9,984	10,078
Windsor	25,887	26,315	26,445	26,714	26,955
Unincorporated	150,413	151,258	151,309	152,415	155,031
County Total	476,956	479,668	482,297	487,259	493,285

Source: California State Department of Finance, Demographic Research Unit

Employment

The County's major employers are set forth below.

COUNTY OF SONOMA
Major Employers
(As of January 2010)

Employer Name	Location	Industry
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (Mfrs)
Army National Guard Recruiter	Santa Rosa	State Government-National Security
Carl Zeiss Vision Inc	Petaluma	Optical Goods-Retail
Compensation Insurance Fund	Santa Rosa	State Gov.-Social/Human Resources
De Jung Motorsport	Cotati	Automobile Repairing & Service
Fairmont Sonoma Mission Inn	Sonoma	Hotels & Motels
J Santana Real Estate Apprsls	Santa Rosa	Real Estate Appraisers
JDS Uniphase	Santa Rosa	Optical Instruments & Lenses (Mfrs)
Korbel Champagne Cellars	Guerneville	Wineries (Mfrs)
Medtronic Vascular	Santa Rosa	Physicians & Surgeons Equip & Supls-Mfrs
New Vistas Senior Behavioral	Petaluma	Mental Health Services
Petaluma Valley Hospital	Petaluma	Hospitals
Santa Rosa Flower Shop	Santa Rosa	Wedding Supplies & Services
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Recreation & Parks	Santa Rosa	Parks
Sonoma County Dept-Emergency	Santa Rosa	Government Offices-County
Sonoma County Radio Mntnc Shop	Santa Rosa	Government Offices-County
Sonoma County Sheriff Dept	Santa Rosa	Sheriff
Sonoma Developmental Ctr	Eldridge	Hospitals
Sonoma State University	Rohnert Park	Schools-Universities & Colleges Academic
Sonoma Valley Hospital	Sonoma	Hospitals
State Farm Insurance	Rohnert Park	Insurance
Sutter Medical Ctr-Santa Rosa	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-National Security

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition.

The table below shows average annual employment by industry group in the County from 2005 through 2009.

COUNTY OF SONOMA
Civilian Labor Force, Employment and Unemployment, Unemployment by Industry
(Annual Averages- 2009)

	2005	2006	2007	2008	2009
Civilian Labor Force [1]	253,900	255,500	258,900	261,200	258,100
Employment	242,600	245,300	247,700	246,300	233,000
Unemployment	11,300	10,200	11,200	14,900	25,100
Unemployment Rate	4.5%	4.0%	4.3%	5.7%	9.7%
Wage and Salary Employment [2]					
Agriculture	5,800	5,700	5,800	5,800	5,800
Mining and Logging	200	200	300	200	100
Construction	14,200	14,700	14,400	12,800	9,800
Manufacturing	23,500	22,900	22,000	22,000	20,200
Wholesale Trade	7,300	7,500	7,800	7,700	6,700
Retail Trade	23,800	23,800	24,000	23,000	21,300
Transportation, Warehousing and Utilities	3,700	4,200	4,500	4,400	4,000
Information	3,700	3,200	3,000	2,800	2,600
Finance and Insurance	6,800	6,800	6,500	5,600	5,100
Real Estate and Rental and Leasing	20,400	22,100	23,100	22,900	19,700
Professional and Business Services	22,800	23,100	23,500	24,200	24,100
Educational and Health Services	19,900	20,200	20,800	21,200	21,200
Leisure and Hospitality	20,500	20,700	21,000	21,000	20,000
Other Services	6,200	6,300	6,400	6,400	6,100
Federal Government	1,700	1,700	1,800	1,700	1,700
State Government	5,400	5,300	5,200	5,000	5,100
Local Government	23,300	23,800	24,100	23,700	23,400
Total, All Industries [3]	192,300	194,900	196,200	192,000	178,300

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

Effective Buying Income

"Effective buying income" ("EBI") is a classification developed exclusively by *Sales & Marketing Management* magazine to distinguish it from other sources reporting income statistics. EBI is defined as "money income" less personal tax and non-tax payments - a number often referred to as "disposable" or "after tax" income. Money income is the aggregate of wages and salaries, net farm and non-farm self employment income, interest, dividends, not rental and royalty income, Social Security and railroad retirement income, other retirement and disability 'income, public assistance income, unemployment compensation, Veterans Administration Payments, alimony and child support, military family allotments, net winnings from gambling and other periodic income. Money income does not include money received from the sale of property (unless the recipient is engaged in the business of selling property); the value of "in-kind" income such as food stamps, public housing subsidies, medical care, employer contributions for persons, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts. EBI is computed by deducting from money income all personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied non-business real estate.

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2005 through 2009.

COUNTY OF SONOMA
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	Sonoma County	$10,794,473	$49,445
	California	720,798,106	44,681
	United States	5,894,663,634	40,529
2006	Sonoma County	$11,369,693	$50,896
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Sonoma County	$11,753,533	$52,027
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Sonoma County	$11,763,448	$52,146
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Sonoma County	$11,867,810	$52,992
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Sales and Marketing Management, Survey of Buying Power for 2004; Claritas Demographics for 2005 and after.

Commercial Activity

Total taxable sales during the first three quarters of calendar year 2009 in the County were reported to be $4,594,270,000, a 17.9% decrease over the total taxable sales of $5,594,427,000 reported during the first three quarters of calendar year 2008. The valuations of taxable transactions in the County are presented in the following table. Annual figures are not yet available for 2009.

COUNTY OF SONOMA
Taxable Transactions
(Figures in Thousands)
Calendar Years 2004 through 2008

	2004	2005	2006	2007	2008
Retail Stores:					
Apparel stores group	$199,507	$225,961	$237,948	$258,991	$249,377
General Merchandise Stores	801,138	818,855	835,000	845,947	830,707
Specialty stores group	647,587	683,408	674,772	(1)	
Food stores group	384,083	396,565	404,076	398,084	387,124
Eating and drinking group	517,081	551,358	569,794	592,801	603,286
Household group	239,480	237,772	235,127	222,132	226,626
Building materials group	614,786	645,396	659,948	611,581	513,373
Automotive group	1,508,768	1,554,976	1,553,325	1,616,324	1,449,012
All other retail stores group	276,156	312,342	330,598	858,737	749,661
Retail Store Totals	5,188,586	5,426,633	5,500,588	5,404,597	5,009,164
Business and Personal Services	310,566	324,099	339,007	324,208	299,723
All Other Outlets	1,689,935	1,871,367	2,055,000	2,148,390	2,060,222
TOTAL ALL OUTLETS	$7,189,087	$7,622,099	$7,894,595	$7,877,195	7,369,109

(1) Included in "All Other Retail" group.
Source: State Board of Equalization.

Construction Activity

Building activity for the years 2005 through 2009 in the County is shown in the following table.

COUNTY OF SONOMA
Total Building Permit Valuations
(Figures in Thousands)

	2005	2006	2007	2008	2009
Permit Valuation					
New Single-family	$398,597.3	$328,693.2	$219,642.1	$142,928.4	$ 93,260.5
New Multi-family	128,382.4	65,621.5	86,982.7	5,915.2	12,433.0
Res. Alterations/Additions	89,454.4	93,193.0	71,029.9	60,566.8	38,404.4
Total Residential	616,434.0	487,507.6	377,654.6	209,410.5	144,097.9
New Commercial	79,743.3	64,233.7	59,683.5	53,072.9	5,343.8
New Industrial	3,127.3	8,914.0	5,426.0	3,619.1	1,191.1
New Other	51,523.2	52,311.9	46,140.0	36,591.7	18,725.8
Com. Alterations/Additions	88,695.5	102,629.1	106,300.6	87,097.7	43,318.6
Total Nonresidential	223,089.2	228,088.8	217,550.1	180,381.4	68,579.3
New Dwelling Units					
Single Family	1639	1,361	904	546	359
Multiple Family	1364	601	622	45	71
TOTAL	3,003	1,962	1,526	591	430

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

____________, 2010

Governing Board
Cotati-Rohnert Park Unified School District
5860 Labath Avenue
Rohnert Park, CA 94928

OPINION: $___________ Cotati-Rohnert Park Unified School District
(Sonoma County, California)
2010 General Obligation Refunding Bonds

Members of the Governing Board:

We have acted as bond counsel to the Cotati-Rohnert Park Unified School District (the "District") in connection with the issuance by the District of its Cotati-Rohnert Park Unified School District (Sonoma County, California) 2010 General Obligation Refunding Bonds in the aggregate principal amount of $___________ (the "Bonds"), under Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law") and under a resolution of the Governing Board of the District adopted on November 9, 2010 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

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

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

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

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$___________
COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT
(Sonoma County, California)
2010 General Obligation Refunding Bonds

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Cotati-Rohnert Park Unified School District (the "District") in connection with the issuance of $___________ aggregate principal amount of Cotati-Rohnert Park Unified School District School District (Sonoma County, California) 2010 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Governing Board of the District on November 9, 2010 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

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

"*Participating Underwriter*" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2011 with the report for the 2009-10 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 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 Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(v) the District's total revenue limit for the preceding fiscal year; and

(vi) current fiscal year assessed valuation of taxable properties in the District.

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

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

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.

(8) Contingent or unscheduled bond calls.

(9) Defeasances.

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

(11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: __________, 2010

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

By: ________________________________
Assistant Superintendent,
Business Services

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Cotati-Rohnert Park Unified School District
Name of Bond Issue:	$___________ aggregate principal amount of Cotati-Rohnert Park Unified School District (Sonoma County, California) 2010 General Obligation Refunding Bonds
Date of Issuance:	__________, 2010

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

Dated:_____________

COTATI-ROHNERT PARK UNIFIED SCHOOL DISTRICT

By: ________________________________
Authorized Officer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, the Bonds will be redeemed on a pro rata basis.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 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 District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX G

SONOMA COUNTY INVESTMENT POOL

The following information concerning the Sonoma County Pooled Surplus Investments Fund has been provided by the Treasurer and has not been confirmed or verified by the District. No representation is made herein 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.

The Treasurer and Tax Collector (the **"Treasurer"**) of Sonoma County has the delegated authority to invest funds on deposit in the County Treasury (the **"Treasury Pool"**). The balance as of June 30, 2010, for investments held in the Treasury Pool for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Sonoma and Special Districts	$ .953
Schools and Community Colleges	.993
Independent Public Agencies	.177
Total	$1.123

Of these entities, the involuntary participants accounted for approximately 43%, and all discretionary participants accounted for 57% of the total Treasury Pool.

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Sonoma County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Sonoma County Board of Supervisors on an annual basis. The Investment Policy adopted on March 30, 2010, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated August 10, 2010, the June 30, 2010 book value of the Treasury Pool was approximately $1.899 billion and the corresponding market value was approximately $1.906 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. The County Auditor-Controller's Office performs similar cash and investment reconciliations on a quarterly basis and regularly reviews investment transactions for conformance with the approved policies. Additionally, the County's outside independent auditor annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of June 30, 2010:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	81.04%
Commercial Paper	16.31
LAIF	2.65

The Treasury Pool is highly liquid. As of June 30, 2010 approximately 45.02% of the investments mature within 60 days, with an average of 536.34 days to maturity for the entire portfolio.