

**NEW ISSUE -- FULL BOOK-ENTRY
BANK QUALIFIED**

**RATING: S&P: "AA"
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 Series B Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In addition, the Series B Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

**\$3,500,000
OAK GROVE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)**

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Issuance. The Oak Grove Union School District General Obligation Bonds, Election of 2018, Series B (the "Series B Bonds"), in the aggregate principal amount of \$3,500,000, are being issued by the Oak Grove Union School District (the "District") pursuant to a resolution of the Governing Board of the District adopted on April 8, 2020 (the "Bond Resolution"). The Series B Bonds were authorized at an election of the registered voters of the District held on November 6, 2018, which authorized the issuance of \$9,500,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Series B Bonds are the second series of bonds to be issued under this authorization. See "THE SERIES B BONDS – Authority for Issuance" and "-Purpose of Issue."

Security. The Series B Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of the 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 Series B Bonds. See "SECURITY FOR THE SERIES B BONDS."

Redemption. The Series B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity under certain circumstances, as described herein. See "THE SERIES B BONDS – Optional Redemption" and "-Mandatory Sinking Fund Redemption."

Book-Entry Only. The Series B 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 ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series B Bonds. See "THE SERIES B BONDS - Book-Entry-Only System."

Payments. The Series B Bonds are dated the date of delivery set forth above and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2020. Payments of principal of and interest on the Series B Bonds will be paid by the County of Sonoma, through its agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS."

MATURITY SCHEDULE
(see inside front cover)

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

The Series B Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Dannis Woliver Kelley, Long Beach, California, is serving as Underwriter's Counsel. It is anticipated that the Series B Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 13, 2020.

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

The date of this Official Statement is May 5, 2020.

MATURITY SCHEDULE

OAK GROVE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

Base CUSIP†: 671218

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	\$155,000	3.500%	1.000%	103.014%	CN3
2037	95,000	4.000	2.530	110.841-C	CS2
2038	110,000	4.000	2.550	110.684-C	CT0
2039	120,000	4.000	2.610	110.216-C	CU7
2040	130,000	4.000	2.650	109.906-C	CV5

\$130,000 – 4.000% Term Bonds due August 1, 2030; Yield: 1.900%; Price: 115.903%C; CUSIP†: CP8

\$155,000 – 4.000% Term Bonds due August 1, 2033; Yield: 2.250%; Price: 113.058%C; CUSIP†: CQ6

\$225,000 – 4.000% Term Bonds due August 1, 2036; Yield: 2.460%; Price: 111.390%C; CUSIP†: CR4

\$870,000 – 4.000% Term Bonds due August 1, 2045; Yield: 2.780%; Price: 108.903%C; CUSIP†: CW3

\$1,510,000 – 3.000% Term Bonds due August 1, 2050; Yield: 3.080%; Price: 98.431%; CUSIP†: CX1

† CUSIP Copyright 2020, CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.
C: Priced to first par call on August 1, 2028.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series B 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 Series B 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 Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

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

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

**OAK GROVE UNION SCHOOL DISTRICT
COUNTY OF SONOMA
STATE OF CALIFORNIA**

DISTRICT GOVERNING BOARD

Joe Horak, *President*
Robbie Woosley, *Clerk*
Greg Holder, *Member*
Brian Jacobs, *Member*
Rahine Patel, *Member*

DISTRICT ADMINISTRATION

Amber Stringfellow, *Superintendent*
Amy Prescott, *Chief Business Official*

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

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

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

The County of Sonoma, through its designated agent,
The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

UNDERWRITER'S COUNSEL

Dannis Woliver Kelley
Long Beach, California

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OFFICIAL STATEMENT

\$3,500,000
OAK GROVE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale and delivery by the Oak Grove Union School District (the "**District**") of the Oak Grove Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series B (Bank Qualified), in the aggregate principal amount of \$3,500,000 (the "**Series B Bonds**").

INTRODUCTION

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

The District

The District provides educational services to the residents in the southwestern portion of the County of Sonoma (the "**County**"), in the State of California (the "**State**"). The District is situated 15 miles inland from the Pacific Ocean and 60 miles north of the City of San Francisco, on the western edge of the city of Santa Rosa and continuing west to include the town of Graton. Neighboring communities are Sebastopol, Forestville, and Occidental.

The District currently operates two schools, being Oak Grove Elementary and Willowside Middle, with total enrollment for the 2019-20 school year of 875 students. Oak Grove Elementary School, located above the town of Graton, provides education to pre-kindergarten through fifth. Willowside Middle School, located on the western edge of the City of Santa Rosa, serves grades six through eight. The District operates most grades as a charter school, having converted grades one through eight to a charter school known as the Oak Grove Elementary/Willowside Middle Charter School (the "**Charter School**") in fiscal year 2013-14. The kindergarten classrooms are not operated as a charter school. The District also serves as a sponsor to an independent charter high school, Pivot Online Charter School, which operates an online learning program.

The District's Charter School is characterized as "non-autonomous" from the District, because pursuant to its charter, the Charter School is governed by the Board, which duties include all decision-making authority with respect to administrative matters, including approving and monitoring the Charter School's annual budget, budget revisions and audit. The Superintendent is the administrator of the Charter School, and the District's administrative team continues to provide all administrative services and budget development for the Charter School. In the event the Charter School was to close, all assets of the Charter School remain the assets of the District.

The District's local property tax entitlement exceeds its funding entitlement under the State education funding formula known as the Local Control Funding Formula ("LCFF"). As such, the District is a "**Community Supported District**", also known as "**Basic Aid**", and as such, is entitled to keep its full property tax entitlement in lieu of the lower amount of State funding that would be available to it. For more information regarding the District, the Charter School, and the District's finances, see Appendix A attached hereto. See also Appendix C hereto for demographic and other statistical information regarding the County.

Purpose of Issue

The net proceeds of the Series B Bonds will be used to finance school construction and improvements to the school facilities as approved by the voters at an election held in the District on November 6, 2018. See "THE SERIES B BONDS - Purpose of Issue" and "- Authority for Issuance" and "SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Series B Bonds

Issuance of the Series B Bonds was approved by 55% or more of the voters of the District voting at an election held on November 6, 2018 (the "**Bond Election**") and will be issued pursuant to certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the "**Bond Law**"), and pursuant to a resolution adopted by the Governing Board of the District adopted on April 8, 2020 (the "**Bond Resolution**"). See "THE SERIES B BONDS - Authority for Issuance" herein.

Sources of Payment for the Series B Bonds

The Series B Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Series B Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES B BONDS" herein.

Description of the Series B Bonds

Form of Bonds. The Series B Bonds are being issued as bonds which bear current interest. The Series B Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Series B 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 Series B Bonds. See "THE SERIES B BONDS – Description of the Series B Bonds," "Book-Entry Only System" below and "APPENDIX F – Book-Entry Only System."

Redemption. The Series B Bonds are subject to redemption prior to maturity as described in "THE SERIES B BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption" herein.

Legal Matters

Issuance of the Series B Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional

Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (“**Disclosure Counsel**”). Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter (“**Underwriter’s Counsel**”). Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon issuance of the Series B Bonds. See “APPENDIX D – Form of Opinion of Bond Counsel.”

Tax Matters; Bank Qualification

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Series B Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Series B Bonds will be exempt from the State personal income taxes. The District has designated the Series B Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a “financial institution” (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to interest payable on the Series B Bonds. See “TAX MATTERS” herein.

Offering and Delivery of the Series B Bonds

The Series B Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to the legality by Bond Counsel. It is anticipated that the Series B Bonds will be available for delivery through DTC on or about the date identified on the cover page.

Continuing Disclosure

The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Series B Bonds. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See “CERTAIN LEGAL MATTERS - Continuing Disclosure” herein.

Other Information

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

Copies of documents referred to herein and information concerning the Series B Bonds are available from the Superintendent of the District, Oak Grove Union School District, 5299 Hall Road, Santa Rosa, California 95401, Telephone: (707) 545-0171. The District may impose a charge for copying, mailing and handling.

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

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed

as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series B Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

[Remainder of page intentionally left blank]

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds will be issued pursuant to the Bond Law and the Bond Resolution. The District received authorization at the Bond Election, by more than the requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount of \$9,500,000 (the “**Authorization**”). The District has issued an initial series of bonds pursuant to the Authorization in the amount of \$3,000,000 (the “**Series A Bonds**”). The Series B Bonds are the second series of general obligation bonds issued pursuant to the Authorization.

Purpose of Issue

The proceeds of bonds issued pursuant to the Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on November 6, 2018 by 60.06% of the voters and known as Measure K (“**Measure K**”). The abbreviated summary of Measure K (limited to up to 75 words) as set forth on the ballot is as follows:

To improve the quality of education; modernize and renovate classrooms, restrooms and school facilities; improve student access to computers and modern technology; and make health, safety and handicapped accessibility improvements; shall Oak Grove Union School District issue \$9,500,000 of bonds at legal interest rates, raising an average \$556,000 annually as long as bonds are outstanding, at a rate of 3 cents per \$100 assessed value, have an independent citizens' oversight committee with No money for administrative salaries?

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with the full text of Ballot Measure, which, among other items, included a project list, identifying to District voters the specific projects eligible for funding from proceeds of bonds approved at the Bond Election. Authorized projects include the prepayment of financing previously obtained for authorized projects, which includes the District's outstanding 2019 Lease Agreement (the “**2019 Lease**”), which refinanced capital facility improvements. The Series B Bonds will be the second series of bonds issued pursuant to Measure K. See “DEBT SERVICE SCHEDULE - Series B Bonds” herein for the debt service due with respect to the Series B Bonds.

Description of the Series B Bonds

The Series B Bonds are being issued as bonds which bear current interest. The Series B Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Series B 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 Series B Bonds. See “Book-Entry Only System” below and “APPENDIX F – Book-Entry Only System.”

The Series B Bonds shall be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Series B Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, an “**Interest Payment Date**”). Each Series B Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding

the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2019, in which event it will bear interest from the Closing Date identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Series B Bond is in default at the time of authentication thereof, such Series B Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Series B 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 Series B Bonds.

Paying Agent

The County of Sonoma, through its designated agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the registrar, transfer agent, and paying agent for the Series B Bonds (the “**Paying Agent**”). As long as DTC is the registered owner of the Series B Bonds and DTC's book-entry method is used for the Series B 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 Series B Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption

The Series B Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, commencing on August 1, 2028, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, the Series B Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Series B Bonds maturing on August 1, 2030, August 1, 2033, August 1, 2036, August 1, 2045 and August 1, 2050 (the “**Term Bonds**”) are subject to mandatory sinking fund redemption on August 1 of each year and in the amounts in accordance with the respective schedule set forth below for such Term Bonds. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000.

Term Bonds Maturing August 1, 2030

Redemption Date (August 1)	Sinking Fund Redemption
2024	\$5,000
2025	5,000
2026	10,000
2027	15,000
2028	20,000
2029	35,000
2030 (Maturity)	40,000

Term Bonds Maturing August 1, 2033

Redemption Date (August 1)	Sinking Fund Redemption
2031	\$45,000
2032	50,000
2033 (Maturity)	60,000

Term Bonds Maturing August 1, 2036

Redemption Date (August 1)	Sinking Fund Redemption
2034	\$70,000
2035	75,000
2036 (Maturity)	80,000

Term Bonds Maturing August 1, 2045

Redemption Date (August 1)	Sinking Fund Redemption
2041	\$150,000
2042	160,000
2043	170,000
2044	190,000
2045 (Maturity)	200,000

Term Bonds Maturing August 1, 2050

Redemption Date (August 1)	Sinking Fund Redemption
2046	\$225,000
2047	230,000
2048	255,000
2049	390,000
2050 (Maturity)	410,000

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Series B Bonds, at the expense of the District, to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Series B Bonds designated for redemption, at their addresses appearing on the Registration Books. Notice of any redemption of Series B Bonds shall specify: (a) the Series B Bonds or designated

portions thereof (in the case of redemption of the Series B 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 Series B Bonds to be redeemed, (f) the Bond numbers of the Series B Bonds to be redeemed in whole or in part and, in the case of any Series B Bond to be redeemed in part only, the Principal Amount of such Series B Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Series B Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

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 Series B Bonds.

Partial Redemption of Series B Bonds

Upon the surrender of any Series B Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Series B Bond or Series B Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Series B Bonds 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.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Series B Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series B Bonds then called for redemption. The District and the Paying Agent have no liability to the Series B Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Book-Entry Only System

The Series B Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company ("**DTC**"), which has been appointed as securities depository for the Series B Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Series B Bonds. Principal of the Series B Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Series B Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

Registration, Transfer and Exchange of Series B 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 Series B Bonds.

If the book entry system is discontinued, the person in whose name a Series B Bond is registered on the Bond Register shall be regarded as the absolute owner of that Series B Bond. Payment of the principal of and interest on any Series B 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 the Bond Resolution.

Series B Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, California for a like aggregate principal amount of Series B Bonds of authorized denominations and of the same maturity. Any Series B 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 Series B 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 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 Series B Bonds shall be required to be made (a) fifteen days prior to an Bond Payment Date or the date established by the Paying Agent for selection of Series B Bonds for redemption until the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Series B Bond after such Series B Bond has been selected or called for redemption in whole or in part.

Defeasance

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

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

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series B Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held

by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

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

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

As used in the foregoing defeasance provision, the term “**Federal Securities**” means non-callable United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULES

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

OAK GROVE UNION SCHOOL DISTRICT Annual Debt Service Schedule General Obligation Bonds Election of 2018, Series B

Period Ending August 1	Series B Bonds Principal	Series B Bonds Interest	Series B Bonds Total
2020	--	\$26,893.75	\$26,893.75
2021	\$155,000.00	124,125.00	279,125.00
2022	--	118,700.00	118,700.00
2023	--	118,700.00	118,700.00
2024	5,000.00	118,700.00	123,700.00
2025	5,000.00	118,500.00	123,500.00
2026	10,000.00	118,300.00	128,300.00
2027	15,000.00	117,900.00	132,900.00
2028	20,000.00	117,300.00	137,300.00
2029	35,000.00	116,500.00	151,500.00
2030	40,000.00	115,100.00	155,100.00
2031	45,000.00	113,500.00	158,500.00
2032	50,000.00	111,700.00	161,700.00
2033	60,000.00	109,700.00	169,700.00
2034	70,000.00	107,300.00	177,300.00
2035	75,000.00	104,500.00	179,500.00
2036	80,000.00	101,500.00	181,500.00
2037	95,000.00	98,300.00	193,300.00
2038	110,000.00	94,500.00	204,500.00
2039	120,000.00	90,100.00	210,100.00
2040	130,000.00	85,300.00	215,300.00
2041	150,000.00	80,100.00	230,100.00
2042	160,000.00	74,100.00	234,100.00
2043	170,000.00	67,700.00	237,700.00
2044	190,000.00	60,900.00	250,900.00
2045	200,000.00	53,300.00	253,300.00
2046	225,000.00	45,300.00	270,300.00
2047	230,000.00	38,550.00	268,550.00
2048	255,000.00	31,650.00	286,650.00
2049	390,000.00	24,000.00	414,000.00
2050	410,000.00	12,300.00	422,300.00
Total	\$3,500,000.00	\$2,715,018.75	\$6,215,018.75

Combined Debt Service. The following table shows the combined debt service schedule with respect to the District's outstanding general obligation bonds, each assuming no optional redemptions. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – General Obligation Bonds" for additional information.

**OAK GROVE UNION ELEMENTARY SCHOOL DISTRICT
Combined Debt Service Schedule
All Outstanding General Obligation Bonds**

Period Ending August 1	1997 Bonds Debt Service*	2014 Series A Bonds Debt Service	2014 Series B Bonds Debt Service	2018 Series A Bonds Debt Service	2018 Series B Bonds Debt Service	Aggregate Annual Debt Service
2020	\$42,287.50	\$113,550.00	\$130,518.76	\$396,875.00	\$26,893.75	\$710,125.01
2021	40,362.50	113,550.00	129,768.76	151,075.00	279,125.00	713,881.26
2022	43,300.00	133,550.00	129,018.76	155,075.00	118,700.00	579,643.76
2023	41,100.00	133,150.00	128,268.76	163,975.00	118,700.00	585,193.76
2024	--	142,725.00	132,768.76	112,675.00	123,700.00	511,868.76
2025	--	147,012.50	137,168.76	117,375.00	123,500.00	525,056.26
2026	--	151,093.75	141,468.76	121,975.00	128,300.00	542,837.51
2027	--	159,893.75	145,668.76	126,475.00	132,900.00	564,937.51
2028	--	163,331.25	149,768.76	130,275.00	137,300.00	580,675.01
2029	--	171,543.75	148,706.26	133,875.00	151,500.00	605,625.01
2030	--	174,350.00	152,581.26	137,275.00	155,100.00	619,306.26
2031	--	181,900.00	156,137.50	141,037.50	158,500.00	637,575.00
2032	--	189,000.00	159,487.50	149,662.50	161,700.00	659,850.00
2033	--	195,625.00	167,537.50	153,012.50	169,700.00	685,875.00
2034	--	206,750.00	170,193.76	156,387.50	177,300.00	710,631.26
2035	--	212,293.75	172,693.76	164,462.50	179,500.00	728,950.01
2036	--	217,450.00	170,037.50	172,262.50	181,500.00	741,250.00
2037	--	227,050.00	172,381.26	174,562.50	193,300.00	767,293.76
2038	--	236,050.00	174,568.76	181,712.50	204,500.00	796,831.26
2039	--	244,450.00	176,600.00	188,562.50	210,100.00	819,712.50
2040	--	257,250.00	177,600.00	195,112.50	215,300.00	845,262.50
2041	--	264,250.00	178,400.00	201,050.00	230,100.00	873,800.00
2042	--	273,500.00	179,000.00	206,662.50	234,100.00	893,262.50
2043	--	281,750.00	179,400.00	216,950.00	237,700.00	915,800.00
2044	--	294,000.00	469,600.00	221,750.00	250,900.00	1,236,250.00
2045	--	--	493,000.00	233,250.00	253,300.00	979,550.00
2046	--	--	514,800.00	238,750.00	270,300.00	1,023,850.00
2047	--	--	--	248,500.00	268,550.00	517,050.00
2048	--	--	--	257,250.00	286,650.00	543,900.00
2049	--	--	--	--	414,000.00	414,000.00
2050	--	--	--	--	422,300.00	422,300.00
TOTAL	\$167,050.00	\$4,885,068.75	\$5,237,143.90	\$5,247,862.50	\$6,215,018.75	\$21,752,143.90

* Payment dates are March and September, figures are for year ending August 1.

SOURCES AND USES OF FUNDS

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

OAK GROVE UNION SCHOOL DISTRICT Sources and Uses General Obligation Bonds Election of 2018, Series B

Sources of Funds

Principal Amount of Series B Bonds	\$3,500,000.00
Net Original Issue Premium	172,165.55
Total Sources	\$3,672,165.55

Uses of Funds

Building Fund ⁽¹⁾	\$3,342,500.00
Debt Service Fund	119,665.55
Costs of Issuance ⁽²⁾	210,000.00
Total Uses	\$3,672,165.55

(1) Includes initial charge to prepay 2019 Lease.

(2) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the financial advisor, the Paying Agent, and the rating agency.

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APPLICATION OF PROCEEDS OF SERIES B BONDS

Building Fund

The proceeds from the sale of the Series B Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Oak Grove Union School District General Obligation Bond, Election of 2018, Series B Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Series B Bonds are being issued and for payment of permissible costs of issuance. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE SERIES B BONDS - Debt Service Fund," the County will establish a debt service fund for the Series B Bonds to be designated the "Election of 2018, Series B General Obligation Bonds Debt Service Fund" (the "**Debt Service Fund**"). Accrued interest and premium, if any, received by the County from the sale of the Series B Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series B Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Series B Bonds when due. Any moneys remaining in the Debt Service Fund after the Series B Bonds and the interest thereon have been paid, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Series B Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Series B Bonds, shall be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. All amounts deposited in the Building Fund of the District shall be invested at the sole discretion of the County Treasurer. See Appendix G for the County's current Investment Policy and recent quarterly report. The County Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds.

SECURITY FOR THE SERIES B BONDS

Ad Valorem Taxes

Series B Bonds Payable from Ad Valorem Property Taxes. The Series B Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Series B 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). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Series B Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Debt Payable from Ad Valorem Property Taxes. In addition to the District's general obligation bonds, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Typical Tax Rates" and "– Direct and Overlapping Debt" below.

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

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

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

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Series B 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 Series B Bonds. Fluctuations in the annual debt service on the Series B Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

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

caused by, among other eventualities, earthquake, flood, fire or other natural disaster, and other economic conditions caused by epidemics or pandemics, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See “PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value.” See also “-Disclosure Relating to COVID-19” below.

Debt Service Fund

As described herein, the County will establish the Debt Service Fund for the Series B Bonds. See “APPLICATION OF PROCEEDS OF SERIES B BONDS - Debt Service Fund. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Series B Bonds will be deposited in the Debt Service Fund by the County promptly upon receipt. The Debt Service Fund has been pledged for the payment of the principal of and interest and premium (if any) on the Series B Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Series B Bonds as the same becomes due and payable. The collections deposited in the Debt Service Fund are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service the Series B Bonds.

Not a County Obligation

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

Disclosure Relating to COVID-19

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (“**COVID-19**” or “**Coronavirus**”), which was first detected in China and has spread to other countries, including the United States and the State, was declared a pandemic by the World Health Organization, a national emergency by President Trump and a state of emergency by Governor Newsom. The emergency has resulted in tremendous volatility in the markets in the United States and globally and the likely onset of a U.S. and global recession.

President Trump’s declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multibillion-dollar Coronavirus relief package was signed into law by President Trump on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In an effort to calm the markets, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds. Further, on March 27, 2020, the United State Congress passed a \$2 trillion relief package responding to the Coronavirus emergency, which has been signed by President Trump, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to The Education Stabilization Fund to provide Emergency Relief Grants to educational institutions and local educational agencies in their respective responses to COVID-19. This funding allocation includes approximately \$13.5 billion in formula funding to the Elementary and

Secondary School Emergency Fund to make grants available to each state educational agency to facilitate K-12 schools' responses to COVID-19.

On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, purchasing up to \$600 billion in loans through the Main Street Lending Program and offering up to \$500 billion in lending to states and municipalities.

On April 24, 2020, an additional \$484 billion federal aid package was signed, to provide additional funding for the local program for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds \$310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by \$60 billion, and directs \$75 billion to hospitals and \$25 billion to a new COVID-19 testing program.

At the State level, on March 15, 2020, Governor Newsom ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed \$1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes, which will stay in effect until further notice.

Local jurisdictions within the State also issued their own shelter-in-place orders to slow the spread of COVID-19. A number of Bay Area counties have formally extended their local orders through May 2020.

Impacts on Global and Local Economies; Potential Declines in State Revenues. The Coronavirus public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2019-20 State Budget (defined below) approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. California's Legislative Analyst's Office (the "LAO") published a report on March 18, 2020 which anticipates that the economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, and the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy. Additional observations of the LAO were included in a report dated April 15, 2020, and of the State Department of Finance on March 24, 2020. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" herein. The District cannot predict the short or long term impacts the Coronavirus emergency will have on global, State-wide and local economies, which could impact District operations and local property values.

Suspension of Classroom Instruction. Governor Newsom's as well as local shelter in place orders have resulted in the suspension of classroom instruction indefinitely throughout California schools. Further, Governor Newsom has indicated that schools statewide may not open again for the remainder of the school year. Most school districts are undertaking distance learning efforts to provide continuing instruction to students. On March 13, 2020, Governor Newsom signed Executive Order N-26-20 providing for continued State funding to support distance learning or independent study, providing subsidized school meals to low-income students, and continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours. Senate Bill

117 was passed on March 17, 2020, addressing attendance issues and instructional hour requirements, among other items, and effectively holding schools harmless from funding losses that could result from these issues under existing funding formulas. See Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – Education Funding Generally.” In addition, federal funding to school districts may be available under the CARES Act as a result of the Coronavirus emergency. Due to continued health and safety considerations, the Governor and State Superintendent have closed educational campuses through the end of the 2019-20 school year. It is uncertain if distance learning will continue in the 2020-21 academic year.

The District cannot predict all of the possible impacts that the Coronavirus emergency might have on its finances or programs or the credit ratings on its debt obligations. Examples of possible effects are on the unanticipated costs of mitigation measures and of implementing distance learning, deteriorating economies reducing local and State revenues, declining assessed values, possible lower credit ratings, material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years, among others.

General Obligation Bonds Secured by Ad Valorem Tax Revenues. Notwithstanding the impacts the COVID-19 emergency may have on the economy in the State, the County and the District or on the District’s general purpose revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. The District cannot predict the impacts that the Coronavirus emergency might have on local property values or tax collections and delinquencies. See “SECURITY FOR THE BONDS – *Ad Valorem* Taxes” above and “PROPERTY TAXATION – Assessed Valuations” and “-Tax Levies and Delinquencies” herein.

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

The District cannot guarantee that said procedures will not be modified or amended by State lawmakers in the future.

Taxation of State-Assessed Utility Property

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

Assessed Valuations

Assessed Valuation History. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading “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.

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Shown in the following table are recent assessed valuations in the District.

OAK GROVE UNION SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 1999-00 through Fiscal Year 2019-20

Tax Year	Local Secured	Utility	Unsecured	Total	Percent Change
1999-00	\$351,857,537	\$0	\$9,951,317	\$361,808,854	--
2000-01	385,025,430	0	12,543,453	397,568,883	9.9%
2001-02	423,075,797	0	9,446,315	432,522,112	8.8
2002-03	459,692,402	0	11,139,567	470,831,969	8.9
2003-04	495,674,555	0	11,731,378	507,405,933	7.8
2004-05	543,855,979	0	9,864,274	553,720,253	9.1
2005-06	593,600,613	0	16,182,561	609,783,174	10.1
2006-07	659,088,610	0	19,370,469	678,459,079	11.3
2007-08	708,561,585	0	24,110,796	732,672,381	8.0
2008-09	747,295,447	0	26,705,559	774,001,006	5.6
2009-10	752,644,379	0	29,743,744	782,388,123	1.1
2010-11	752,289,679	0	35,500,907	787,790,586	0.7
2011-12	754,820,293	0	36,412,718	791,233,011	0.4
2012-13	774,952,866	0	37,432,815	812,385,681	2.7
2013-14	791,484,568	0	34,839,194	826,323,762	1.7
2014-15	830,713,299	0	37,946,115	868,659,414	5.1
2015-16	877,814,935	0	40,700,830	918,515,765	5.7
2016-17	923,214,683	0	43,872,848	967,087,531	5.3
2017-18	964,398,127	0	45,460,426	1,009,858,553	4.4
2018-19	1,032,362,672	0	38,529,672	1,070,892,344	6.0
2019-20	1,084,331,549	0	40,073,549	1,124,405,098	5.0

Source: California Municipal Statistics, Inc.

Some Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, property reclassifications, and man-made or natural disasters such as earthquakes, fires, floods and droughts. The District is located in a seismically active region. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, numerous wildfires in different regions of the State, including in the vicinity of the District, and flooding and mudslides. With respect to wildfires specifically, recent fires occurring in Northern California and in Sonoma County and Napa County in particular, did not burn within the boundaries of the District but were in the vicinity of the District, and caused the destruction of thousands of acres and destroyed thousands of homes and structures. The District is in an area that may also experience local flooding, and said flooding did occur in March 2019 in the vicinity of the District as a result of the Russian River exceeding flood stage. See also "SECURITY FOR THE BONDS – Disclosure Relating to the COVID-19." The District cannot predict or make any representations regarding the effects that any natural or manmade disasters, including the COVID-19 pandemic, and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Initiative for Split-Roll Approach to Property Taxation. A State constitutional amendment designated as the California Tax on Commercial and Industrial Properties for Education and Local

Government Funding Initiative, has qualified by initiative for the November 3, 2020 ballot which, if approved by State voters by majority vote, would amend the Constitution to change to a split roll approach to determine property values for purposes of property taxation. If approved, the Constitution will be amended to provide for the reassessment to fair market value of certain commercial and industrial real properties every three years, overriding the current two percent limitation on annual assessment increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies. The District cannot predict if such initiative will be successful or the impact it might have on assessed values in the District.

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

OAK GROVE UNION SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

Non-Residential:	2019-20 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Agricultural/Vineyards	\$169,299,590	15.61%	275	14.25%
Commercial	21,711,512	2.00	26	1.35
Vacant Commercial	33,115	0.00	1	0.05
Industrial/Winery	98,272,362	9.06	26	1.35
Vacant Industrial	394,977	0.04	2	0.10
Recreational	6,791,358	0.63	4	0.21
Government/Social/Institutional	2,134,848	0.20	14	0.73
Miscellaneous	<u>13,536</u>	0.00	<u>19</u>	<u>0.98</u>
Subtotal Non-Residential	\$298,651,298	27.54%	367	19.02%
Residential:				
Single Family Residence	\$757,019,311	69.81%	1,438	74.51%
Mobile Home	1,516,900	0.14	42	2.18
Mobile Home Park	1,224,342	0.11	2	0.10
2-4 Residential Units	20,244,537	1.87	41	2.12
5+ Residential Units/Apartments	3,991,843	0.37	3	0.16
Vacant Residential	<u>1,683,318</u>	<u>0.16</u>	<u>37</u>	<u>1.92</u>
Subtotal Residential	\$785,680,251	72.46%	1,563	80.98%
Total	\$1,084,331,549	100.00%	1,930	100.00%

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

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation by jurisdiction in the District.

**OAK GROVE UNION SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2019-20**

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Unincorporated Sonoma Co.	\$1,124,405,098	100.00%	\$38,493,537,392	2.92%
Total District	\$1,124,405,098	100.00%		
Sonoma County	\$1,124,405,098	100.00%	\$94,762,797,812	1.19%

Source: California Municipal Statistics, Inc.

Per Parcel Assessed Valuation of Single-Family Homes. The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2019-20.

**OAK GROVE UNION SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2019-20**

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,438	\$757,019,311	\$526,439	\$473,438

2019-20 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$49,999	48	3.338%	3.338%	\$ 1,711,218	0.226%	0.226%
\$50,000 - \$99,999	83	5.772	9.110	6,496,062	0.858	1.084
\$100,000 - \$149,999	96	6.676	15.786	12,056,012	1.593	2.677
\$150,000 - \$199,999	91	6.328	22.114	15,720,812	2.077	4.753
\$200,000 - \$249,999	77	5.355	27.469	17,433,028	2.303	7.056
\$250,000 - \$299,999	70	4.868	32.337	19,224,495	2.539	9.596
\$300,000 - \$349,999	83	5.772	38.108	27,115,067	3.582	13.178
\$350,000 - \$399,999	79	5.494	43.602	29,479,560	3.894	17.072
\$400,000 - \$449,999	64	4.451	48.053	27,082,695	3.578	20.649
\$450,000 - \$499,999	61	4.242	52.295	29,056,383	3.838	24.488
\$500,000 - \$549,999	89	6.189	58.484	46,719,076	6.171	30.659
\$550,000 - \$599,999	67	4.659	63.143	38,389,745	5.071	35.730
\$600,000 - \$649,999	71	4.937	68.081	44,295,679	5.851	41.581
\$650,000 - \$699,999	49	3.408	71.488	33,186,046	4.384	45.965
\$700,000 - \$749,999	53	3.686	75.174	38,296,061	5.059	51.024
\$750,000 - \$799,999	56	3.894	79.068	43,321,002	5.723	56.747
\$800,000 - \$849,999	61	4.242	83.310	50,187,941	6.630	63.376
\$850,000 - \$899,999	41	2.851	86.161	35,928,214	4.746	68.122
\$900,000 - \$949,999	35	2.434	88.595	32,187,803	4.252	72.374
\$950,000 - \$999,999	29	2.017	90.612	28,181,739	3.723	76.097
\$1,000,000 and greater	135	9.388	100.000	180,950,673	23.903	100.000
	1,438	100.000%		\$757,019,311	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 XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" in Appendix A.

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

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

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 cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Series B Bonds to increase accordingly, so that the fixed debt service on the Series B Bonds (and other outstanding general obligation bonds, if any) may be paid.

Typical Tax Rates

Below are historical typical tax rates in a tax rate area within the District.

OAK GROVE UNION SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 130-006; Assessed Valuation: \$313,403,225⁽¹⁾)
Fiscal Years 2015-16 through 2019-20

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Warm Springs Dam	.0070	.0070	.0070	.0070	.0070
Palm Drive Health Care District	.0052	.0052	.0052	.0052	.0030
Oak Grove Union School District	.0490	.0280	.0280	.0255	.0530
West Sonoma Union High School District	.0190	.0175	.0170	.0485	.0465
Sonoma County Joint Community College District	<u>.0160</u>	<u>.0400</u>	<u>.0370</u>	<u>.0360</u>	<u>.0370</u>
Total Tax Rate	\$1.0962	\$1.0977	\$1.0942	\$1.1222	\$1.1465

(1) 27.87% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies - Teeter Plan

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

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

There can be no assurance that the County will continue to maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District’s share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See “SECURITY FOR

THE BONDS – Disclosure Relating to the COVID-19.” However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due, which further authorizes the County to levy an amount sufficient to provide for a reserve.

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 2019-20. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner’s ability or willingness to pay property taxes.

OAK GROVE UNION SCHOOL DISTRICT Largest 2019-20 Local Secured Taxpayers Fiscal Year 2019-20

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Manzana Products Co. Inc.	Food Processing	\$27,671,282	2.55%
2.	Paul Hobbs Winery LP	Winery	20,210,586	1.86
3.	Lynn C. Fritz Trust	Winery	15,928,601	1.47
4.	Purple Wine Real Estate LLC	Winery	11,046,949	1.02
5.	Dutton Ranch Family LP	Vineyards	10,154,945	0.94
6.	Vernazza Vineyards LLC	Vineyards	7,641,234	0.70
7.	Appleday Org LLC	Vineyards	7,015,759	0.65
8.	Gallo Vineyards Inc.	Vineyards	6,638,177	0.61
9.	Clubcorp NV XVII LLC	Country Club	6,233,198	0.57
10.	TMI Commercial Properties LLC	Light Industrial	6,037,384	0.56
11.	Mycopia LLC	Food Processing	5,541,159	0.51
12.	Goldridgepinot.com LLC	Vineyards	5,305,051	0.49
13.	Schramsberg Vineyards Company	Vineyards	5,267,000	0.49
14.	Walter Hansel Winery & Vineyards LLC	Winery	4,983,636	0.46
15.	Steven G. & Theresa A. Dutton Trust	Vineyards	4,498,065	0.41
16.	KB Wines LLC	Vineyards	4,450,000	0.41
17.	Eric X Li Trust	Residential	4,436,877	0.41
18.	Hanna Family Farms LP	Winery	4,430,695	0.41
19.	Sonoma Vineyard Company Inc.	Winery	4,347,389	0.40
20.	Dutton Brothers Farming LLC	Vineyards	<u>3,864,260</u>	<u>0.36</u>
			\$165,702,247	15.28%

(1) 2019-20 local secured assessed valuation: \$1,084,331,549.
Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and with respect to debt dated as of May 1, 2020. 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.

OAK GROVE UNION SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of May 1, 2020

2019-20 Assessed Valuation: \$1,124,405,098

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/20</u>
Sonoma County Joint Community College District	1.177%	\$4,570,938
West Sonoma County Union High School District	10.957	4,712,876
Oak Grove Union School District	100.000	8,780,000⁽¹⁾
Palm Drive Health Care District	10.330	363,616
Palm Drive Health Care District Parcel Tax Obligations	10.330	1,428,123
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$19,855,553
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County Certificates of Participation	1.187%	\$ 156,340
Sonoma County Pension Obligation Bonds	1.187	3,815,196
Sonoma County Office of Education Certificates of Participation	1.187	45,022
West Sonoma County Union High SD General Fund Obligations	10.957	99,103
Oak Grove Union School District General Fund Obligations	100.000	3,487,897
West County Transportation Agency	0.660	68,871 ⁽²⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$7,672,429
COMBINED TOTAL DEBT		\$27,527,982⁽³⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$8,780,000)	0.78%
Total Direct and Overlapping Tax and Assessment Debt	1.77%
Combined Direct Debt (\$12,267,897)	1.09%
Combined Total Debt	2.45%

(1) Excludes issue to be sold.

(2) West County Transportation Agency 2017 Bonds (Transportation Facility Project). Oak Grove Union School District has agreed to make certain payments to the Transportation Agency. The Transportation Agency has pledged these payments to repay the bonds.

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code.

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

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

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

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

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

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

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

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

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Series B Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2021, with the report for the 2019-20 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in an Annual Report or other notices 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 made prior undertakings pursuant to the Rule. A review of prior undertakings and filings made in the previous five years has been undertaken and no instances of non-compliance have been identified..

In order to assist in complying with its disclosure undertaking, the District has engaged Isom Advisors, a Division of Urban Futures, Inc. to serve as its dissemination agent with respect to all of such undertakings pursuant to the Rule.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed nor is it responsible for the content of the Official Statement.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Series B Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series B 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 Series B Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Series B Bonds or actions taken with respect to the Series B Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse affect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“**S&P**”) has assigned a rating of “AA” to the Series B Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such rating reflects only the view of S&P and an explanation of the significance of such rating and outlook may be obtained only from S&P. There is no assurance that any credit rating given to the Series B Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series B Bonds.

UNDERWRITING

The Series B Bonds were sold to O'Connor & Company Securities, Inc. (the “**Underwriter**”), pursuant to a bond purchase agreement for the Series B Bonds. The Underwriter has agreed to purchase the Series B Bonds at a price of \$3,619,665.55 (representing the principal amount thereof, plus net original issue premium of \$172,165.55, less Underwriter's discount of \$52,500.00). The Underwriter may offer and sell Series B Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The reference herein to 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 said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Series B Bonds will be on file at the offices of the Paying Agent in Dallas, Texas.

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

EXECUTION

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

OAK GROVE UNION SCHOOL DISTRICT

By: /s/ Amber Stringfellow
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

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

DISTRICT GENERAL INFORMATION

General Information

The District provides educational services to the residents in the City of Santa Rosa (the "**City**") in the southwestern portion of the County of Sonoma (the "**County**"), in the State of California (the "**State**"). The District is situated 15 miles inland from the Pacific Ocean and 60 miles north of the City of San Francisco, on the western edge of the City and continuing west to include the town of Graton. Neighboring communities are Sebastopol, Forestville, and Occidental.

The District currently operates two schools, being Oak Grove Elementary and Willowside Middle, with total enrollment for the 2019-20 school year of 875 students. Oak Grove Elementary School, located above the town of Graton, provides education to pre-kindergarten through fifth. Willowside Middle School, located on the western edge of the City of Santa Rosa, serves grades six through eight. The District operates most grades as a charter school, having converted grades one through eight to a charter school known as the Oak Grove Elementary/Willowside Middle Charter School (the "**Charter School**") in fiscal year 2013-14. The kindergarten classrooms are not operated as a charter school. The District also serves as a sponsor to an independent charter high school, Pivot Online Charter School, which operates an online learning program.

Charter School Conversion

The District Board granted a petition to convert District its schools to public charter schools, pursuant to the procedures and requirements of California Education Section Code 47600 and following, resulting in the conversion of grades one through five of the Oak Grove Elementary School and grades sixth through eighth of Willowside Middle School into the Charter School. The District's non-charter program serves pre-kindergarten and kindergarten students.

The charter can be renewed for one or more subsequent terms (each term not to exceed five years) by the Board, and was recently renewed for a five-year term in February 2019, extending the charter until June 30, 2024. The Charter School continues to operate in District-owned facilities, at the sites known as the Oak Grove Elementary School and the Willowside Middle School. Conversion to a charter school enables the District to maintain and grow inter-district enrollment levels and to qualify for State funding for charter schools, known as basic aid supplemental funding.

The Charter School is characterized as “non-autonomous” from the District, because pursuant to its charter, the Charter School is governed by the Board, which duties include all decision-making authority with respect to administrative matters, including approving and monitoring the Charter School’s annual budget, budget revisions and audit. The Charter School was not incorporated as a 501(c)(3) nonprofit corporation. The Superintendent is the leader of the Charter School, and the District’s administrative team continues to provide all administrative services and budget development for the Charter School. In the event the Charter School was to close, all assets of the Charter School remain the assets of the District.

District Governance and Administration

Board of Trustees. The District is governed by a five-member Board of Trustees (the “District Board”), with each member elected to a four-year term in alternate slates of two and three years. Current members of Board of Trustees, together with office and the date current terms expire, are listed below:

**BOARD OF TRUSTEES
Oak Grove Union School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Joe Horak	President	December 2022
Robbie Woosley	Clerk	December 2020
Greg Holder	Member	December 2022
Brian Jacobs	Member	December 2020
Rahine Patel	Member	December 2022

Administration. The day-to-day operations are managed by a board-appointed Superintendent. Amber Stringfellow is Superintendent of the District. Amy Prescott is the Chief Business Official.

Recent Enrollment and ADA Trends

The following table shows recent enrollment and average daily attendance history for the District with projected figures for fiscal year 2019-20.

**ANNUAL ENROLLMENT AND AVERAGE DAILY ATTENDANCE*
Fiscal Years 2013-14 through 2019-20
Oak Grove Union School District**

<u>School Year</u>	<u>Enrollment</u>	<u>Percent Change</u>	<u>ADA</u>	<u>Percent Change</u>
2013-14	870	-- %	832	--%
2014-15	820	(5.7)	789	(5.2)
2015-16	824	0.5	790	0.1
2016-17	833	1.1	795	0.6
2017-18	855	2.6	819	3.0
2018-19	852	(0.4)	817	(0.2)
2019-20 ⁽¹⁾	878	3.1	827	1.2

*Includes enrollment at the District’s Charter School.

(1) Projected.

Source: Oak Grove Union School District.

Employee Relations

The District has 44.0 full-time equivalent (“**FTE**”) certificated (non-management) positions, FTE 34.0 classified (non-management) positions and 8.8 FTE management, supervisor and confidential positions.

The classified and certificated employees of the District are represented by bargaining units, as follows:

CONTRACTS WITH BARGAINING UNITS Oak Grove Union School District

Employee Group	Representation	Contract Expiration Date
Certificated	Oak Grove Elementary Educators Assoc.	June 30, 2022
Classified	California Schools Employees Association	June 30, 2022

Source: Oak Grove Union School District

Insurance - Joint Powers Agreements

The District participates in two joint powers agreement (“**JPA**s”). The Redwood Empire Schools’ Insurance Group provides for property and liability, workers’ compensation, and dental insurance coverage. The West County Transportation Agency provides pupil transportation. The relationship between the District and the JPAs is such that the JPAs are not components of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board.

Each member district pays a premium commensurate with the level of coverage requested and shared surpluses and deficits proportionately to their participation in the JPAs. The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA’s management.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Funding levels used in the LCFF “Target Entitlement” calculations for fiscal year 2019-20 are set forth in the following table.

**Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)**

Grade Span	2018-19 Base Grant Per ADA	2019-20 COLA (3.26%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,043	295	243	9,572

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

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

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

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

Community Funded (Basic Aid) Districts

Community Funded Districts (formerly known as “**Basic Aid Districts**”) are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Funded Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Funded Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts’ primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is considered a Community Funded District although operates most of its program as a charter school, which entitles it to basic aid supplemental funding under the provisions of State law governing school funding.

District Accounting Practices

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

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District’s fiscal year begins on July 1 and ends on June 30. For more information on the District’s basis of accounting and fund accounting, see “APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ending June 30, 2019 – Note 1 - Significant Accounting Policies” herein.

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

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

Financial Statements

General. The District's Audited Financial Statements for fiscal years ending June 30, 2019, were prepared by Nigro and Nigro, A Professional Accountancy Corporation, Murrieta, California. Audited financial statements for the District for the fiscal year ended June 30, 2018 and prior fiscal years are on file with the District and available for public inspection at the Oak Grove Union School District, 5299 Hall Road, Santa Rosa, California 94501, Phone: (707) 545-0171. See Appendix B hereto for the 2018-19 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.

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General Fund Revenues, Expenditures and Changes in Fund Balance. The following two tables show the audited general fund income and expense statements for the District's General Fund for fiscal years 2014-15 through 2018-19. The data is separated into two tables because a different format was utilized commencing in fiscal year 2016-17.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2014-15 through 2015-16 (Audited)
Oak Grove Union School District

Revenues	Audited 2014-15	Audited 2015-16
Total LCFF Sources ⁽¹⁾	\$7,370,089	\$8,056,912
Federal Revenues	214,558	239,055
Other state revenues	390,060	902,424
Other local revenues	<u>1,038,429</u>	<u>1,243,432</u>
Total Revenues	9,013,136	10,441,823
Expenditures		
Certificated Salaries	3,725,709	3,827,098
Classified Salaries	1,509,404	1,510,739
Employee Benefits	1,975,641	2,155,891
Books and Supplies	407,185	401,439
Services & Other Operating Exp.	1,226,500	1,146,710
Capital Outlay	--	--
Debt Service: Principal retirement	130,000	359,515
Debt Service: Interest	113,427	283,964
Other Outgo	<u>6,128</u>	<u>25,827</u>
Total Expenditures	9,093,994	9,711,183
Excess of Revenues Over/(Under) Expenditures	(80,858)	730,640
Other Financing Sources (Uses)		
Transfers in	--	--
Transfers out	(53,000)	(50,000)
Other sources	39,426	--
Total Other Financing Sources (Uses)	<u>(13,574)</u>	<u>(50,000)</u>
Net change in fund balance	(94,432)	680,640
Fund Balance, July 1 ⁽¹⁾	<u>6,527,987</u>	<u>6,433,555</u>
Fund Balance, June 30	\$6,433,555	\$7,114,195

(1) Because the District is a Basic Aid District, the majority of LCFF funding is derived from local property taxes, with a small amount of State funding.

Source: Oak Grove Union School District Audited Financial Statements.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2016-17 through 2018-19 (Audited)*
Oak Grove Union School District

<u>Revenues</u>	<u>Audited 2016-17</u>	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>
LCFF Sources	\$8,350,800	\$8,806,094	\$9,635,773
Federal Revenues	284,303	199,876	98,755
Other State Revenues	664,111	908,808	1,140,070
Other Local Revenues	1,021,507	1,086,965	1,371,466
Total Revenues	10,320,721	11,001,743	12,246,064
<u>Expenditures</u>			
Instruction	6,010,042	6,294,341	7,038,852
Instruction-Related Activities:			
Supervision of Instruction	135,914	90,363	128,599
Instructional Library, Media, Tech	156,644	189,165	157,799
School Site Administration	923,820	933,431	1,093,506
Pupil Services:			
Home-to-School Transport	106,653	112,805	99,546
Food Services	--	43,004	--
All Other Pupil Services	386,521	411,708	483,636
General Administration:			
Data Proc.	46,806	28,096	64,839
All Other General Administration	934,371	896,883	1,198,129
Plant Services	861,166	841,896	912,227
Facility Acquisition and Maintenance	--	--	--
Ancillary Services	103,320	76,270	--
Community Services	438,640	438,287	515,764
Enterprise Activities	7,098	673	--
Transfers to other agencies	17,500	15,600	15,342
Capital Outlay	--	18,846	334,653
Debt Service: Issuance costs	--	--	84,987
Debt Service: Principal	370,549	382,110	399,226
Debt Service: Interest	265,526	245,915	167,231
Total Expenditures	10,764,570	11,019,393	12,694,336
Excess of Revenues Over/(Under) Expenditures	(443,849)	(17,650)	(448,272)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers in	--	800,000	--
Other Sources	--	--	--
Operating Transfers out	(75,000)	(957,598)	(2,858,923)
Proceeds from refunding debt	--	--	2,943,910
Total Other Financing Sources (Uses)	(75,000)	(157,598)	7,945
Net Change in Fund Balance	(518,849)	(175,248)	(440,327)
Fund Balance, July 1	7,114,196	6,595,347	6,420,099
Fund Balance, June 30	\$6,595,347	\$6,420,099	\$5,979,772

*Audited financial statement for preceding years appear in the preceding table, because the audits were prepared using different formats.

Source: Oak Grove Union School District Audited Financial Statements.

District Budget and Interim Financial Reporting

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

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

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

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

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

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 the following types of certifications:

- **Positive certification** - the school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- **Negative certification** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.
- **Qualified certification** - the school district 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. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has certified each of its interim reports as positive, including its fiscal year 2019-20 second interim report.

Copies of budgets and interim reports are available from the Superintendent of the District, Oak Grove Union School District, 5299 Hall Road, Santa Rosa, California 95401, Phone: (707) 545-0171. The District may impose a charge for copying, mailing and handling.

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General Fund Fiscal Year 2019-20 (Adopted Budget and Second Interim Projections). The following table shows the income and expense statements for the District's General Fund for fiscal year 2019-20 (Adopted Budget and Second Interim Projections).

**OAK GROVE UNION SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2019-20 (Adopted Budget and Second Interim Projections)*⁽¹⁾**

	Adopted Budget Fiscal Year 2019-20	Second Interim Projections Fiscal Year 2019-20
Revenues		
Total LCFF Sources	\$9,881,827	\$9,657,445
Federal Revenues	131,059	179,337
Other state revenues	471,411	567,762
Other local revenues	442,215	598,194
Total Revenues	10,926,512	11,002,738
 Expenditures		
Certificated Salaries	4,238,592	4,180,933
Classified Salaries	1,665,195	1,626,097
Employee Benefits	2,740,326	2,782,546
Books and Supplies	685,856	733,645
Services & Other Operating Exp.	1,978,945	2,075,198
Capital Outlay	10,000	20,000
Other Outgo	619,162	18,942
Other Outgo-transfers of indirect costs	--	--
Total Expenditures	11,938,076	11,437,360
Excess of Revenues Over/(Under) Expenditures	(1,011,564)	(434,622)
 Other Financing Sources (Uses)		
Operating transfers in	975,220	400,000
Operating transfers out	(76,505)	(84,182)
Other sources	--	--
Total Other Financing Sources (Uses)	898,715	315,818
Net change in fund balance	(112,849)	(118,804)
Fund Balance, July 1	1,269,620	1,704,091
Fund Balance, June 30	\$1,156,771	\$1,585,287

*Totals may not foot due to rounding.

(1) The District's reserves are not accounted for in its General Fund for purposes of budgeting and projections. As such, beginning and ending fund balance figures do not correspond with presentation of audited financial statements in the previous table, because the District's audits account for reserve funds within the General Fund.

Source: Oak Grove Union School District.

District Reserves. In general, the State requires that California school districts maintain the equivalent of 4% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically had a reserve in excess of the 4%.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("SB 858"), the California Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the Board of Trustees must provide the information for review at the annual

public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

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Attendance - Revenue Limit and LCFF Funding Trends

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (“**ADA**”). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The District operates most of its program (all except the pre-kindergarten and kindergarten) as the Charter School. As such, it qualifies for funding under the State’s School District Basic Aid Supplement program which provides to basic aid (excess tax) school districts supplemental funding for the loss of local property taxes due to charter schools that provide instruction to nonresident (out-of-district) students. The following table sets forth total LCFF funding for the District for fiscal years 2013-14 through 2019-20 (Budgeted), which includes the Basic Aid Supplement.

**ADA AND FUNDING TRENDS
Fiscal Years 2013-14 through 2019-20 (Projected)
Oak Grove Union School District**

Fiscal Year	ADA⁽¹⁾	Total Funding (Basic Aid)
2013-14	832	\$7,297,933
2014-15	789	7,370,089
2015-16	790	8,056,912
2016-17	795	8,350,800
2017-18	819	8,806,094
2018-19	817	9,635,773
2019-20 ⁽²⁾	826	9,657,445

(1) P-2 for Fiscal Year 2013-14 through 2018-19; Budgeted for Fiscal Year 2019-20.

(2) Projected in Second Interim for Fiscal Year 2019-20.

Source: Oak Grove Union School District.

Unduplicated Pupil Count. The District’s unduplicated pupil count for purposes of supplemental and concentration grant funding under LCFF, to the extent applicable, is approximately 28%. Under LCFF, school districts with a more than 55% unduplicated student count qualify for supplemental funding and concentration grant funding.

Possible Impacts of COVID-19. As described herein, the short-term and long-term impact of the Coronavirus on the District’s attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District’s general fund. See also “SECURITY FOR THE BONDS – Disclosure Relating to the Coronavirus.”

Revenue Sources

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

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will

amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

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

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

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

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

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

For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources (for example, donations and parent teacher association revenues).

District Retirement Systems

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

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of June 30, 2017 by \$483,564. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

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

**STRS CONTRIBUTIONS
Oak Grove Union School District**

Fiscal Year	Amount
2012-13	\$252,763
2013-14	282,112
2014-15	323,577
2015-16*	404,250
2016-17*	482,606
2017-18	546,426
2018-19	431,729
2019-20 ⁽¹⁾	955,427

*Increase in fiscal years 2015-16 and 2016-17 attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.

(1) Second Interim Projection.

Source: Oak Grove Union School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.3 billion as of June 30, 2017 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 15.53%, and 18.06% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2020-21 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate⁽¹⁾
2019-20	18.13%
2020-21	19.10
2021-22 ⁽²⁾	18.60
2022-23 ⁽²⁾	18.10

(1) Expressed as a percentage of covered payroll.
 (2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
 Source: AB 1469

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

**PERS CONTRIBUTIONS
Oak Grove Union School District**

Fiscal Year	Amount
2012-13	\$108,466
2013-14	126,920
2014-15	145,663
2015-16	150,262
2016-17	185,526
2017-18	227,878
2018-19	508,962
2019-20 ⁽¹⁾	335,937

(1) Second Interim Projection.
 Source: Oak Grove Union School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$23.6 billion as of June 30, 2017 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015,

PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

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

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

Source: PERS.

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

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

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

Fiscal Year	Employer Contribution Rate ⁽²⁾
2019-20	20.800%
2020-21	23.500
2021-22	24.600
2022-23	25.300

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

(2) Expressed as a percentage of covered payroll.

Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, except the retirement systems of the University of California, and charter cities and charter

counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

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

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

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

No Other Post-Employment Benefits (OPEB)

The District does not provide other post-employment benefits.

Long Term Debt

General Obligation Bonds. Other than the Series B Bonds described herein, the District has four outstanding series of general obligation bonds, being its 1997 Bonds, the 2014 Series B Bonds, the 2014 Series B Bonds, and the 2018 Series A Bonds which are secured by the levy and collection of voter-approved *ad valorem* taxes. The four series are described as follows:

1997 General Obligation Bonds. On September 3, 1997, the District issued \$600,000 principal amount of Election of 1991, Series 1997 General Obligation Bonds (the “**1997 Bonds**”). The 1997 Bonds are currently outstanding in the aggregate principal amount of \$150,000 and have a final maturity of September 1, 2022.

2014 Election, General Obligation Bonds, Series A. On June 10, 2015, the District issued \$3,500,000 principal amount of Election of 2014, Series B General Obligation Bonds (the “**2014 Series B Bonds**”) for the purpose of financing the renovation, construction and improvement of school facilities. The Series B Bonds are currently outstanding in the aggregate principal amount \$2,710,000 and have a final maturity in 2044.

2014 Election, General Obligation Bonds, Series B. On November 2, 2016, the District issued \$3,500,000 principal amount of Election of 2014, Series B General Obligation Bonds (the “**2014 Series B Bonds**”) for the purpose of financing the renovation, construction and improvement of school facilities. The Series B Bonds are currently outstanding in the aggregate principal amount \$2,955,000 and have a final maturity in 2046.

2018 Election, General Obligation Bonds, Series A. On May 2, 2019, the District issued \$3,000,000 principal amount of Election of 2018, Series A General Obligation Bonds (the “**2018 Series A Bonds**”) for the purpose of financing the renovation, construction and improvement of school facilities. The Series A Bonds are currently outstanding in the aggregate principal amount \$3,000,000 and have a final maturity in 2048.

See “DEBT SERVICE SCHEDULES” in the body of this Official Statement for the remaining debt service due on the 1997 Bonds, the 2014 Series A Bonds, the 2014 Series B Bonds, and the 2018 Series A Bonds.

Lease Revenue Bonds. On February 24, 2011, the California School Finance Authority issued \$2,015,000 original principal amount of Lease Revenue Bonds (Oak Grove Elementary/Willowside Middle School Project), Series 2011 (Direct Subsidy Qualified School Construction Bonds) (the “**2011 Lease Revenue Bonds**”), which are secured by lease payments to be made by the District from any source of legally available funds pursuant to a Facility Sublease. The proceeds of the Lease Revenue Bonds were used to finance improvements to school facilities within the District. The 2011 Lease Revenue Bonds are outstanding in the principal amount of \$1,010,000, and have a final maturity date of November 1, 2025. A portion of interest is payable from a direct federal subsidy payment.

Long Term Capital Facility Lease. On May 1, 2019, the District delivered a 2019 Site Lease and Lease Agreement in the amount of \$2.8 million, which refinanced its outstanding 2007 Lease, which was undertaken to finance capital improvements to District facilities on an interim basis to available bond funding. Lease payments are payable from the general fund, and the final payment due under the 2019 Site Lease and Lease Agreement is August 1, 2027. The Bond Resolution authorizes applying a portion of the proceeds of the Series B Bonds to the prepayment of the 2019 Lease.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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

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

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

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

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

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

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

Recent State Budgets

Certain information about the State budgeting process and the State budget (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 or the Underwriter and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) 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, and (2) also posts various financial documents for the State under the "-Financial Information" link.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst’s Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Office (“**LAO**”) Internet home page at www.lao.ca.gov under the headings “The Budget” and “State Budget Condition.”

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

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

2019-20 State Budget

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

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

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

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

2020-21 Proposed State Budget

Summary as Introduced. On January 10, 2020, the Governor released the proposed State budget for fiscal year 2020-21 (the "**2020-21 Proposed State Budget**"), noting that while economic expansion is occurring, there are growing risks facing the State, including risks caused by climate change and uncertainty regarding the political climate and federal policies. The 2020-21 Proposed State Budget projects general fund revenues in fiscal year 2020-21 of approximately \$155 billion (including a prior year balance of approximately \$8.5 billion) and expenditures of approximately \$149.7 billion. The 2020-21 Proposed State Budget continues to build State reserves, with \$21 billion set aside in reserve funds. The 2020-21 Proposed State Budget maintains \$900 million in the Safety Net Reserve, sets aside \$110 million in the Public School System Stabilization Account, and allocates \$3.1 billion in a Special Fund for Economic Uncertainties. In addition, the 2020-21 Proposed State Budget estimates the Rainy Day Fund will have a fund balance of approximately \$18 billion in fiscal year 2020-21 and \$19.4 billion by 2023-24.

The 2020-21 Proposed State Budget raises the Proposition 98 funding for school districts and community college districts for fiscal year 2020-21 to \$84 billion, a new all-time high, which reflects a 2.29% cost of living adjustment and includes an additional \$1.2 billion in Proposition 98 funding for the LCFF. The 2020-21 Proposed State Budget also confirms that school district reserve caps are not required for fiscal year 2021-22. The 2020-21 Proposed State Budget includes an includes one-time increases in Proposition 98 general fund resources of \$350 million

of educator workforce investment grants, \$193 million for workforce development grants, \$18 million to strengthen the capacity of local educational agencies in certain priority areas, and \$10 million for credentialed teacher stipends. The Governor is required to release a revision to the Proposed State Budget by May 14 of each year.

Disclaimer Regarding Possible Changes. The 2020-21 Proposed State Budget is expected to be revised significantly as part of the May Revise, due to the COVID-19 emergency. See below information regarding outlooks prepared by the LAO and the Department of Finance, and disclaimer regarding the May Revise.

LAO Fiscal Perspective Report (March 18, 2020 and April 15, 2020): COVID-19

The LAO issued a fiscal perspective report on March 18, 2020 entitled “COVID-19 and California’s Evolving Fiscal Outlook,” concluding that the economic uncertainty caused by the Coronavirus emergency will significantly affect California’s near-term fiscal outlook. Key takeaways from the report are as follows:

Volatility in Financial Markets Indicate Lower Capital Gains-Related Tax Revenue. Taxes on capital gains are a significant source of State revenue, but they are difficult to forecast because of their correlation to stock market performance. The LAO states that the volatility of financial markets indicate lower capital gains-related tax revenue. With the market now well below the budget assumption, absent a more rapid recovery than has occurred in any modern market downturn of this severity, it appears likely that the average price level will wind up lower than the budget assumption. The LAO projects there is a high likelihood that tax revenues from capital gains income will be several billion dollars lower than what the Governor’s budget assumed.

COVID-19 Response Brings Economic Activity to a Halt. For the broader economy, the LAO stated that the odds of a recession have increased substantially due to the pullback in activity across wide swaths of the economy. The abrupt and nearly across-the-board curtailment of spending that is now underway sets it apart from previous downturns. An optimistic scenario is that the economy would experience a sharp but comparatively short-lived downturn lasting one or two months. Under a more pessimistic scenario, economic activity would remain depressed for longer, compounded by dislocated supply chains and reduced lending caused by elevated risk aversion in credit markets. The type of contraction the state, national, and global economies experience will have implications for revenue collections in the coming years.

California’s Strong Fiscal Position is a Key Advantage. The LAO notes, however, that California’s budget entered 2020 on a strong footing due to strong budget reserves, the pay down of debt and multiyear balanced budgets during the economic expansion of previous years.

The LAO issued another fiscal perspective report on April 15, 2020 entitled “State Budget Effects of Recent Federal Actions to Address COVID-19,” concluding that recent actions by the federal government will mitigate some of the adverse budgetary effects that the COVID-19 pandemic is likely to cause, but only a small portion of the federal funding allocated to date, being additional Medi-Cal funding, will assist the State with budgetary strain caused by lower revenues. Key information in the report is as follows:

Sources of Potential Budget Problem. The State likely will face a budget problem at the time of the May Revision, resulting from COVID-19. Specifically from higher direct costs to respond to the public health emergency, higher indirect costs as a result of changes in the economy, and lower revenues as a result of changes in the economy.

Federal Legislation May Affect State Budget. Recent federal legislation could help reduce budgetary strain at the State level. This includes funds under the CARES Act which established the Coronavirus Relief Fund, and which the U.S. Department of the Treasury has indicated the State is eligible for \$15.3 billion to be shared between the State and local governments, with the State's eligibility without regard to local governments estimated at \$9.5 billion. Said funds are available to provide relief for direct and possibly indirect higher costs resulting from COVID-19, but not revenue losses. Additional federal aid in the form of increases to funding under Medicaid and unemployment insurance, which is a federal-state program, could also provide potential benefits to the State's budget. Education relief funding could provide some additional relief, although this form of relief will mainly accrue to the State's educational institutions.

State Department of Finance – Effect of COVID-19 on State Budgets.

On March 24, 2020, the California Department of Finance released Budget Letter 20-08 which states that the Department anticipates a severe drop in economic activity in California as a result of the COVID-19 pandemic, which could negatively impact anticipated revenue levels in fiscal year 2019-20, and will certainly produce impacts on the fiscal year 2020-21 Proposed State Budget.

Disclaimer Regarding May Revision to Fiscal Year 2020-21 Proposed State Budget

The State Budget for fiscal year 2020-21 was proposed prior to the COVID-19 emergency. As such, State officials have indicated that the 2020-21 State Budget is expected to differ substantially in the May Revision (to be released in mid-May), from the Proposed 2020-21 State Budget summarized above. Modifications to the 2020-21 State Budget will be made to reflect the COVID-19 pandemic and the adverse impacts it has had on the current year's budget, and will have on the State's financial condition prospectively. The May Revision is not available at this time. To the extent that the May Revision to the fiscal year 2020-21 State Budget is available prior to the issuance of the Bonds, such information will be summarized in the final Official Statement, or in a supplement to the final Official Statement.

Disclaimer Regarding State Budgets

The execution of State budgets including the above may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The current and proposed State budgets are expected to be impacted by the COVID-19 emergency described herein. The District cannot predict the impact that the 2019-20 State Budget, the 2020-21 Proposed State Budget or subsequent State Budgets, will have on its own finances and operations.

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

Availability of State Budgets

The complete adopted State budgets and related information are available from the California Department of Finance website at www.ebudget.ca.gov. Impartial analyses of these documents are published by the Legislative Analyst Office, and can be accessed at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of internet addresses referenced herein or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Series A Bonds.

Uncertainty Regarding Future State Budgets

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) 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) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the 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 be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

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

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

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the 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.

Articles XIII C and XIII D of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or

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

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

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

Proposition 98

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

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

surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita*

personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools

and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment, also known as “**Proposition 30**”, temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases for such period the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head of household filers and over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head of household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head of household filers and over \$1,000,000 for joint filers).

Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through the end of 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

California Senate Bill 222

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

Future Initiatives

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2019**

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA ROSA AND SONOMA COUNTY

The following information concerning the City of Santa Rosa and Sonoma County is included only for the purpose of supplying general information regarding the vicinity of the District. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City of Santa Rosa (the “City”) is located in the central portion of Sonoma County (the “County”), covers an area of about 35 square miles. The City is centered at the crossroads of U.S. Highway 101 and State Route 12. Incorporated in 1868, the City became a charter city in 1872. The City operates under the council-manager form of government, with a City Council comprised of seven members elected to serve overlapping four-year terms. On November 6, 2018, the City transitioned from at-large to district-based elections. The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The County. One of California's original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles.

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

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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 2015 through 2019

Area	2015	2016	2017	2018	2019
Cloverdale	8,860	8,918	9,003	9,141	9,257
Cotati	7,476	7,486	7,497	7,739	7,919
Healdsburg	11,868	11,918	11,943	12,232	12,501
Petaluma	60,237	60,757	61,124	62,251	62,247
Rohnert Park	41,687	41,969	42,034	43,178	43,339
Santa Rosa	175,154	176,005	176,790	177,017	175,625
Sebastopol	7,622	7,658	7,666	7,808	7,885
Sonoma	11,126	11,157	11,185	11,423	11,556
Windsor	27,623	27,777	27,836	28,356	28,565
Unincorporated	149,229	149,488	149,781	143,721	141,781
County Total	500,882	503,133	504,859	502,866	500,675

Source: California State Department of Finance, Demographic Research Unit

Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area (“MSA”), which consists of the County. The unemployment rate in Sonoma County was 2.8% in February 2020, down from a revised 2.9% in January 2020, and below the year-ago estimate 3.0%. This compares with an unadjusted unemployment rate of 4.3% for California and 3.8% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2015 through 2019.

**SANTA ROSA MSA
(SONOMA COUNTY)**
**Annual Averages of Civilian Labor Force, Employment and Unemployment
and Employment by Industry
Calendar Years 2014 through 2019
(March 2019 Benchmark)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾	257,600	259,200	260,100	260,900	259,400
Employment	246,100	248,900	251,300	253,600	252,400
Unemployment	11,600	10,300	8,800	7,300	7,000
Unemployment Rate	4.5%	4.0%	3.4%	2.8%	2.7%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	6,000	6,100	6,100	6,700	6,500
Mining and Logging	200	200	200	200	200
Construction	11,600	12,400	13,100	15,200	16,500
Manufacturing	22,000	22,700	23,000	23,400	23,400
Wholesale Trade	7,200	7,300	7,400	7,500	7,600
Retail Trade	24,700	25,000	25,100	24,900	24,300
Transportation, Warehousing and Utilities	4,300	4,200	4,000	4,100	4,200
Information	2,700	2,700	2,700	2,700	2,600
Financial Activities	8,100	8,400	8,800	8,900	8,800
Professional and Business Services	20,800	21,200	22,100	23,200	23,500
Educational and Health Services	32,100	33,000	34,100	34,800	35,800
Leisure and Hospitality	24,700	25,400	25,700	25,700	25,800
Other Services	7,000	7,200	7,200	7,100	7,200
Federal Government	1,300	1,300	1,400	1,300	1,300
State Government	5,100	5,000	4,800	4,400	3,800
Local Government	25,400	26,000	26,100	25,400	24,400
Total, All Industries ⁽³⁾	203,000	208,100	211,700	215,400	215,900

(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.

Major Employers

The following table lists the largest employers within the County, in alphabetical order.

COUNTY OF SONOMA Major Employers (As of April 2020)

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Amys Kitchen	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Flex Products	Santa Rosa	Coatings-Vacuum Deposition (mfrs)
Freeman Motors	Santa Rosa	Automobile Dealers-Used Cars
Ghilotti Construction Co	Santa Rosa	Excavating Contractors
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
La Torilla Factory	Santa Rosa	Factory Outlets
Macy's	Santa Rosa	Department Stores
Medtronic Cardiovascular	Santa Rosa	Surgical Instruments-Manufacturers
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1 LLC	Cotati	Transportation Services
Redwood Empire Recycling	Santa Rosa	Recycling Centers (whls)
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Sonoma County Fire Svc	Santa Rosa	Fire Departments
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Sonoma Developmental Ctr	Eldridge	Hospitals
Sonoma Valley Hospital	Sonoma	Hospitals
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Pgrms Government-Transportation
Walmart	Windsor	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

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Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income and median household income for the City, the County, the State of California and the United States for the period 2016 through 2020.

COUNTY OF SONOMA Effective Buying Income

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	Santa Rosa	\$4,565,210	\$52,843
	Sonoma County	14,241,130	56,067
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Santa Rosa	\$4,937,452	\$56,521
	Sonoma County	15,518,066	60,353
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Santa Rosa	\$5,144,498	\$58,681
	Sonoma County	16,179,391	62,413
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Santa Rosa	\$5,527,794	\$63,733
	Sonoma County	17,456,950	68,021
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Santa Rosa	\$5,715,357	\$67,255
	Sonoma County	18,287,988	71,696
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for 2019.

Total taxable sales during the first three quarters of calendar year 2019 in the City were reported to be \$2,590,089,854, a 0.83% decrease over the total taxable sales of \$2,611,664,650 reported during calendar year 2018. CITY OF SANTA ROSA

**Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	3,498	\$2,540,708	5,250	\$3,073,610
2015 ⁽¹⁾	3,308	2,579,495	5,699	3,147,615
2016	3,393	2,675,876	5,859	3,213,648
2017	3,462	2,772,545	6,037	3,302,272
2018	3,591	2,932,744	6,412	3,574,341

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable transactions in the County during the first three quarters of calendar year 2019 were reported to be \$7,298,195,223, a 0.12% decrease from the total taxable sales of \$7,307,091,465 that were reported during the first three quarters of calendar year 2018. A summary of historic taxable sales within the County is shown in the following table.

**SONOMA COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	11,881	\$5,931,984	18,179	\$8,467,551
2015 ⁽¹⁾	8,999	6,104,395	19,916	8,704,969
2016	7,295	5,667,430	11,236	8,671,625
2017	11,366	6,679,426	20,533	9,393,597
2018	21096	9,985,463	11380	7,116,968

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF SANTA ROSA Total Building Permit Valuations (Figures in Thousands) 2014 through 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$38,616.3	\$25,397.3	\$29,331.7	\$58,523.7	\$722,634.2
New Multi-family	6,475.3	2,475.2	12,671.8	11,537.1	30,300.5
Res. Alterations/Additions	<u>17,349.9</u>	<u>26,601.6</u>	<u>20,405.5</u>	<u>28,614.2</u>	<u>32,726.7</u>
Total Residential	62,441.5	54,474.1	62,389.0	98,675.0	785,661.4
New Commercial	10,726.1	16,748.9	20,191.4	13,039.4	28,841.5
New Industrial	0.0	0.0	156.4	0.0	0.0
New Other	1,911.5	5,247.4	5,572.7	9,174.4	25,645.2
Com. Alterations/Additions	<u>29,499.3</u>	<u>43,025.5</u>	<u>24,201.2</u>	<u>44,712.4</u>	<u>37,078.6</u>
Total Nonresidential	42,136.9	65,021.8	50,121.7	66,926.2	91,565.3
<u>New Dwelling Units</u>					
Single Family	186	96	108	240	1,585
Multiple Family	<u>64</u>	26	<u>142</u>	<u>100</u>	120
TOTAL	250	122	250	340	1,705

Source: Construction Industry Research Board, Building Permit Summary.

SONOMA COUNTY Total Building Permit Valuations (Dollars in Thousands) 2014 through 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$69,788.4	\$65,968.4	\$112,941.1	\$202,169.1	\$1,071,852.3
New Multi-family	91,806.3	27,797.3	26,149.2	46,674.0	127,743.3
Res. Alterations/Additions	<u>64,228.0</u>	<u>78,005.1</u>	<u>71,079.1</u>	<u>97,326.9</u>	<u>96,590.5</u>
Total Residential	225,822.7	171,770.8	210,169.4	346,170.0	1,296,186.1
New Commercial	55,718.9	53,975.7	93,462.5	79,737.8	141,873.8
New Industrial	0.0	2,484.9	156.4	759.6	1,277.3
New Other	8,657.2	16,513.4	19,255.1	25,572.7	66,129.7
Com. Alterations/Additions	<u>70,889.7</u>	<u>84,641.9</u>	<u>79,943.6</u>	<u>99,102.9</u>	<u>124,238.1</u>
Total Nonresidential	135,265.8	157,615.9	192,817.6	205,173.0	333,518.9
<u>New Dwelling Units</u>					
Single Family	292	236	560	881	3,247
Multiple Family	<u>214</u>	<u>206</u>	<u>264</u>	<u>351</u>	<u>1,057</u>
TOTAL	506	442	824	1,232	4,304

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

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

Education

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 71,000 students attend the 179 public schools that are located in Sonoma County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-six of Sonoma County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and eleven have been recognized as National Blue Ribbon Schools.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

LETTERHEAD OF JONES HALL APLC

May 13, 2020

Governing Board
Oak Grove Union School District
5299 Hall Road
Santa Rosa, California 95401

OPINION: \$3,500,000 Oak Grove Union School District (Sonoma County, California)
General Obligation Bonds, Election of 2018, Series B (Bank Qualified)

Members of the Governing Board:

We have acted as bond counsel to the Oak Grove Union School District (the "District") in connection with the issuance by the Governing Board of the District (the "Board") of the \$3,500,000 principal amount of Oak Grove Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series B (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board adopted on April 8, 2020 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Sonoma is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.
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. The 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"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to the portion of the Bonds designated as and comprising interest.

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 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$3,500,000
OAK GROVE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Oak Grove Union School District (the “District”) in connection with the issuance of \$3,500,000 aggregate principal amount of Oak Grove Union School District School District (County of Sonoma, California) General Obligation Bonds, Election of 2018, Series B (the “Bonds”). The Bonds are being issued under a resolution adopted by the Governing Board of the District on April 8, 2020 (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 Underwriter 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 Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District 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 O’Connor & Company Securities, Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year, commencing no later than March 31, 2021 with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, 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, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, the current fiscal year:

- (i) Assessed value of taxable property in the jurisdiction of the District;
- (ii) Assessed valuation of the properties of the top twenty secured property taxpayers in the District;
- (iii) Property tax collection delinquencies for the District, if available from the County at the time of filing the Annual Report, and only if the District's *ad valorem* taxes securing general obligation bonds are no longer included on Sonoma County's Teeter Plan;
- (iv) The District's most recently adopted Budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report; and
- (v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of Section 4, in the light of the circumstances under which they are made, not misleading

(c) 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. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.

- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, 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, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any 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: May 13, 2020

OAK GROVE UNION SCHOOL DISTRICT

By: _____
Chief Business Official

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Oak Grove Union School District
Name of Bond Issue: \$3,500,000 aggregate principal amount of Oak Grove Union School District (County of Sonoma, California) General Obligation Bonds, Election of 2018, Series B (Bank Qualified)
Date of Issuance: May 13, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 15 of 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: _____

DISSEMINATION AGENT

By: _____
Authorized Officer

Cc: Oak Grove Union School District

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Series B Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series B 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 Series B Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series B Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series B Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

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

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

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

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX G

SONOMA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT