

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2020

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

**INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.**

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

\$1,400,000*
THREE RIVERS UNION SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

Authority and Purpose. The above-captioned General Obligation Bonds Election of 2018, Series B, are being issued by the Three Rivers Union School District pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on May 6, 2020. The Bonds were authorized at an election of the registered voters of the District held on November 6, 2018, which authorized the issuance of \$4,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2018 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

Payments. The Bonds are dated the date of delivery set forth below 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 February 1, 2021. Payments of principal of and interest on the Bonds will be paid by Wilmington Trust, National Association, as the designated paying agent, registrar and transfer agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption.* The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



MATURITY SCHEDULE

(See inside cover)

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

The 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 counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about June 25, 2020.*

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

The date of this Official Statement is _____, 2020.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

THREE RIVERS UNION SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

Base CUSIP[†]: 885752

\$1,225,000 Current Interest Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2041	\$40,000				
2042	45,000				
2043	50,000				
2044	60,000				
2045	65,000				
2046	70,000				
2047	80,000				
2048	90,000				
2049	360,000				
2050	395,000				

\$_____ Denominational Amount
(\$225,000 Maturity Value)
Capital Appreciation Bonds

Maturity Date (August 1)	Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP^(†)
2029				\$5,000	
2030				5,000	
2031				10,000	
2032				10,000	
2033				15,000	
2034				15,000	
2035				20,000	
2036				25,000	
2037				25,000	
2038				30,000	
2039				30,000	
2040				35,000	

**Preliminary; subject to change.*

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

THREE RIVERS UNION SCHOOL DISTRICT
(Tulare County, California)

BOARD OF TRUSTEES

Sue Winters, *President*
Jason Hawes, *Clerk*
Mark Frick, *Trustee*
Peter Mestaz, *Trustee*
Anne Pfaff, *Trustee*

DISTRICT ADMINISTRATION

Susan Sherwood, *Superintendent*
Lynda LeFave, *Business Services Manager*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Wilmington Trust, National Association
Costa Mesa, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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.

Bond Insurance. Assured Guaranty Municipal Corp (“AGM” or the “Bond Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the heading “BOND INSURANCE” and in APPENDIX H.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

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 as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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\$1,400,000*
THREE RIVERS UNION SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the “**Bonds**”) by Three Rivers Union School District (the “**District**”).

INTRODUCTION

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

The District. The District is a school district located in the unincorporated community of Three Rivers in Tulare County (the “**County**”). The District currently operates one K-8 elementary school. Enrollment in the District for the 2019-20 school year is approximately 133 students.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the County.

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable, with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may have on its operations and finances, property values in the District, and economic activity in the District, the State and the nation, among others. District schools are currently closed for the remainder of the 2019-20 academic year, and the District has transitioned to distance learning. For more disclosure regarding the COVID-19 emergency, see “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.” See also references to COVID-19 in the sections herein entitled “PROPERTY TAXATION”, and in APPENDIX A under the heading “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on November 6, 2018 (the “**Bond Election**”). See “THE BONDS - Purpose of Issue” herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize \$4 million of general obligation bonds, and will be issued pursuant to certain provisions of the Government Code of the State and a resolution adopted by the Board of Trustees of the District on May 6, 2020 (the “**Bond Resolution**”). See “THE BONDS - Authority for Issuance” herein.

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. See “THE BONDS – Description of the Bonds” herein.

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC’s book-entry only system (“**DTC Participants**”) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See “THE BONDS - Registration, Transfer and Exchange of Bonds” herein.

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

The impact that the current COVID-19 outbreak might have on the assessed valuation of property located in the District is uncertain at this time. See “PROPERTY TAXATION – Assessed Valuations” and “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.”

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS –Redemption.”

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel, and Underwriter’s counsel is contingent upon issuance of the Bonds.

Bond Insurance. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“**AGM**” or the “**Bond Insurer**”) will issue its Municipal Bond Insurance Policy for the Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due, as set forth in the form of the Policy included as Appendix H to this Official Statement. See “BOND INSURANCE” and APPENDIX H.

Tax Matters; Bank Qualified. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the 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 Bonds will be exempt from personal income taxes in the State.

The District has designated the 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 tax-exempt interest. See "TAX MATTERS" and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the "**Continuing Disclosure Certificate**"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District, which may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of \$4,000,000 (the "**2018 Authorization**").

On May 29, 2019, the District issued its \$2,100,000 aggregate principal amount of General Obligation Bonds Election of 2018, Series A (the "**Series 2018A Bonds**") pursuant to the 2018 Authorization. The Bonds represent the second series of bonds to be issued pursuant to the 2018 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on November 6, 2018, the abbreviated text of which appeared on the ballot as follows:

"To improve the quality of education; repair or replace leaky roofs; replace outdated and energy-inefficient heating, ventilation and air-conditioning systems; and modernize/renovate outdated classrooms, restrooms and school facilities; shall Three Rivers Union School District issue \$4,000,000 of bonds at legal interest rates, raising an average \$239,000 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 a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the “**Project List**”). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2018 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “Book-Entry Only System” and APPENDIX F.

The Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2021 (each, an “**Interest Payment Date**”). Each 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 January 15, 2021, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof.

Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such 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 Bonds will be paid by Wilmington Trust, National Association, as the designated paying agent, registrar and transfer agent (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

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

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial

ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ 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, on August 1, 20__, 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.

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For the purpose of selection for optional redemption, Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the “**Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
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If any Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall 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 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District to be mailed, first class, postage prepaid, at least 20 but not more than 60 days prior to the date fixed for redemption, to the owners of the Bonds designated for redemption. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with

¹ Preliminary; subject to change.

respect thereto shall cease to accrue and be payable. Such notice may be a conditional notice of redemption and subject to rescission as set forth below.

Neither the 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 Bonds.

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of 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 Bonds then called for redemption. The District and the Paying Agent have no liability to the 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.

Registration, Transfer and Exchange of 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 Bonds.

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

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

Defeasance and Discharge of Bonds

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or
- (c) by delivering such 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 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 Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the 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 Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption 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 Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

“Federal Securities” means: 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.

DEBT SERVICE SCHEDULES

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

Three Rivers Union School District General Obligation Bonds Election of 2018, Series B Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
TOTAL			

Combined General Obligation Bonds. The following table shows the combined annual debt service schedule with respect to all outstanding general obligation bonds of the District secured by *ad valorem* taxes, assuming no optional redemptions. See APPENDIX A – “DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations” for additional information.

Period Ending August 1	2018 Series A Bonds	The Bonds	Aggregate Debt Service
2020	\$95,243.06		
2021	131,250.00		
2022	79,750.00		
2023	79,750.00		
2024	79,750.00		
2025	79,750.00		
2026	94,750.00		
2027	99,300.00		
2028	98,700.00		
2029	103,100.00		
2030	107,350.00		
2031	111,150.00		
2032	119,750.00		
2033	122,950.00		
2034	125,950.00		
2035	133,750.00		
2036	136,150.00		
2037	143,350.00		
2038	150,150.00		
2039	112,450.00		
2040	160,800.00		
2041	166,600.00		
2042	177,000.00		
2043	181,800.00		
2044	191,200.00		
2045	195,000.00		
2046	203,400.00		
2047	211,200.00		
2048	218,400.00		
2049	--		
2050	--		
TOTAL	\$3,909,743.06		

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds

[Net] Original Issue [Premium]/[Discount] _____

Total Sources

Uses of Funds

Building Fund

Debt Service Fund

Costs of Issuance⁽¹⁾ _____

Total Uses

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

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. In accordance with Section 53515 of the California Government Code, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* tax imposed to service the Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the *ad valorem* tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Economic Conditions. Economic and other factors beyond the District’s control, such as economic recession, pandemics, deflation of property 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, 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 “— COVID-19 Global Pandemic.”

Building Fund

The proceeds from the sale of the 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 “Three Rivers Union School District, 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 Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the “Three Rivers Union School District, Election of 2018, Series B Debt Service Fund” (the “**Debt Service Fund**”) for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the 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 Bonds as the same becomes due and payable.

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

Not a County Obligation

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

COVID-19 Global Pandemic

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

The President'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 multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, 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.

On March 27, 2020, the United States Congress passed a \$2 trillion relief package, 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 provide emergency grants to educational institutions and local educational agencies. This funding allocation includes approximately \$13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 crisis.

At the State level, on March 15, 2020, the Governor 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 is in effect until further notice. On May 7, 2020, the State's Public Health Officer released an order supporting the gradual movement of the State from Stage 1 to Stage 2 of "California's Pandemic Resilience Roadmap." Effective as of May 8, 2020, the order allows for the return of certain kinds of retail, manufacturing and other "low risk" businesses if physical distancing measures are implemented.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted. Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (<http://www.gov.ca.gov>) and the California Department of Public Health (<https://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

Impacts of COVID-19 Pandemic on Global and Local Economies Cannot be Predicted; Potential Declines in State and Local Revenues. The COVID-19 public health emergency will have negative impacts on global and local economies, including the economy of the State and in the region of the District. The extent and duration of the COVID-19 emergency is currently unknown, and the reach of its impacts uncertain.

The State's revenue sources are anticipated to be materially impacted by the COVID-19 pandemic, including with respect to reductions in personal income tax receipts and capital gains tax receipts. Economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, with a likely recession due to pullback in activity across wide swaths of the economy. For more detail regarding the State's current and proposed budgets, and related reports and outlooks, see Appendix A under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

In addition, in an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed an executive order suspending penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. See “PROPERTY TAXATION – Property Tax Collection Procedures – Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes.”

Impacts on California School Districts. Shelter in place orders have suspended in-person classroom instruction indefinitely throughout California schools. Most school districts (including the District) are undertaking distance learning efforts to provide continuing instruction to students. State law allows school districts to apply for a waiver to hold them harmless from the loss of State apportionment funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, on March 13, 2020, Governor Newsom signed Executive Order N-26-20 which provides for continued State funding to school districts to support distance learning or independent study, providing subsidized school meals to low-income students, continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours, notwithstanding legal provisions to the contrary. Senate Bill 117 was passed on March 17, 2020, addressing attendance issues and instructional hour requirements, among other items, and effectively holds schools harmless from incurring funding losses that could result from these issues under existing funding formulas. For more information about education funding formulas in California, see Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – Education Funding Generally.”

For more information about how the District has responded to the COVID-19 emergency and the District’s current assessment of the impact of the COVID-19 emergency on its finances, see Appendix A under the heading “DISTRICT GENERAL INFORMATION – District’s Response to COVID-19 Emergency.”

Impacts of COVID-19 Emergency Uncertain. The possible impacts that the COVID-19 emergency might have on the District’s finances, programs, credit ratings on its debt obligations, local property values and the economy in general are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 emergency, which the District is unable to predict.

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 Series A 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. See “SECURITY FOR THE BONDS – *Ad Valorem* Taxes” and “PROPERTY TAXATION – Teeter Plan; Property Tax Collections” herein.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property 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 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the 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. However, Senate Bill 813 (enacted by Statutes of 1983, Chapter 498) (“**SB 813**”), 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 1.5% 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.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such

taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Order N-61-20 have on property tax revenues are unknown at this time. For information about the County's current distribution of property taxes, see below under the heading "-Tax Levies and Delinquencies – Teeter Plan."

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order, including Order N-61-20, which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict changes in law or orders of State officials that might occur in the future, particularly with regard to actions that might be taken in an attempt to mitigate the impacts of the COVID-19 pandemic.

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 based on the situs of the various components of the unitary property. Except for 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 Valuation

The assessed valuation of property in the District is established by the assessor of the County, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. 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.

Assessed Valuation History. The following table sets forth recent history of the assessed value in the District.

**THREE RIVERS UNION SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2006-07 through 2019-20**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2006-07	\$283,913,793	\$0	\$4,140,009	\$288,053,802	--%
2007-08	314,129,995	0	4,817,561	318,947,556	10.7
2008-09	338,613,332	0	5,355,545	343,968,877	7.8
2009-10	342,188,066	0	4,967,695	347,155,761	0.9
2010-11	346,211,807	0	4,774,076	350,985,883	1.1
2011-12	343,602,352	0	4,649,388	348,251,740	(0.8)
2012-13	347,602,746	0	5,126,637	352,729,383	1.3
2013-14	350,330,420	0	4,028,175	354,358,595	0.5
2014-15	349,271,366	0	3,860,848	353,132,214	(0.3)
2015-16	358,982,619	0	4,122,983	363,105,602	2.8
2016-17	367,769,381	0	3,172,477	370,941,858	2.2
2017-18	387,935,051	0	3,324,403	391,259,454	5.5
2018-19	407,412,320	0	2,899,156	410,311,476	4.9
2019-20	427,398,924	0	2,671,622	430,070,546	4.8

Source: California Municipal Statistics, Inc.

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

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District’s boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The world is currently experiencing a global pandemic as a result of the outbreak of COVID-19 which may have a negative impact on local property values, but the impact is uncertain at this time. The COVID-19 emergency could cause general marked declines in property values. For disclosure relating to the COVID-19 emergency, see also “SECURITY FOR THE BONDS –COVID-19 Global Pandemic.”

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

See also “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.”

A State constitutional amendment designated as the California Schools and Local Community Funding Act of 2020, has qualified by initiative for the November 3, 2020 ballot which, if approved by State voters by majority vote, would amend the State Constitution to change to a split roll approach to determine property values for purposes of property taxation. If approved, the State 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.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2019-20. As shown, the majority of the District's assessed valuation is represented by residential property.

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

	2019-20	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural/Rural	\$33,662,405	7.88%	352	15.91%
Commercial	40,478,935	9.47	71	3.21
Vacant Commercial	3,205,174	0.75	26	1.18
Industrial	152,448	0.04	1	0.05
Recreational	2,890,702	0.68	5	0.23
Government/Social/Institutional	1,307,993	0.31	12	0.54
Miscellaneous	<u>3,637,028</u>	<u>0.85</u>	<u>126</u>	<u>5.70</u>
Subtotal Non-Residential	\$85,334,685	19.97%	593	26.81%
<u>Residential:</u>				
Single Family Residence	\$295,146,856	69.06%	1,151	52.03%
Condominium	2,594,206	0.61	13	0.59
Recreational Home	11,493,265	2.69	71	3.21
Mobile Home	8,685,853	2.03	77	3.48
Mobile Home Park	1,662,417	0.39	2	0.09
2-4 Residential Units	2,424,695	0.57	10	0.45
5+ Residential Units/Apartments	2,626,412	0.61	4	0.18
Vacant Residential	<u>17,430,535</u>	<u>4.08</u>	<u>291</u>	<u>13.16</u>
Subtotal Residential	\$342,064,239	80.03%	1,619	73.19%
Total	\$427,398,924	100.00%	2,212	100.00%

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

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

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

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	1,151	\$295,146,856	\$256,426	\$230,318

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	27	2.346%	2.346%	\$ 409,230	0.139%	0.139%
\$25,000 - \$49,999	41	3.562	5.908	1,465,706	0.497	0.635
\$50,000 - \$74,999	51	4.431	10.339	3,240,412	1.098	1.733
\$75,000 - \$99,999	53	4.605	14.944	4,629,493	1.569	3.302
\$100,000 - \$124,999	60	5.213	20.156	6,794,486	2.302	5.604
\$125,000 - \$149,999	62	5.387	25.543	8,512,601	2.884	8.488
\$150,000 - \$174,999	76	6.603	32.146	12,313,494	4.172	12.660
\$175,000 - \$199,999	90	7.819	39.965	16,820,843	5.699	18.359
\$200,000 - \$224,999	83	7.211	47.176	17,625,639	5.972	24.331
\$225,000 - \$249,999	98	8.514	55.691	23,114,174	7.831	32.162
\$250,000 - \$274,999	76	6.603	62.294	20,019,448	6.783	38.945
\$275,000 - \$299,999	68	5.908	68.202	19,546,098	6.622	45.568
\$300,000 - \$324,999	72	6.255	74.457	22,459,562	7.610	53.177
\$325,000 - \$349,999	49	4.257	78.714	16,499,283	5.590	58.768
\$350,000 - \$374,999	32	2.780	81.494	11,510,168	3.900	62.667
\$375,000 - \$399,999	40	3.475	84.970	15,531,819	5.262	67.930
\$400,000 - \$424,999	31	2.693	87.663	12,780,333	4.330	72.260
\$425,000 - \$449,999	26	2.259	89.922	11,322,365	3.836	76.096
\$450,000 - \$474,999	17	1.477	91.399	7,857,464	2.662	78.758
\$475,000 - \$499,999	17	1.477	92.876	8,261,572	2.799	81.557
\$500,000 and greater	<u>82</u>	<u>7.124</u>	<u>100.000</u>	<u>54,432,666</u>	<u>18.443</u>	<u>100.000</u>
	<u>1,151</u>	<u>100.000%</u>		<u>\$295,146,856</u>	<u>100.000%</u>	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed 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 – Article XIII A of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 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.

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, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

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

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. 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 Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Levies and Delinquencies

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of taxpayers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of County.

Tulare County - No Teeter Plan. From June 1993 through June 2009, Tulare County and its political subdivisions operated under the Alternate 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. The Teeter Plan is an alternative procedure for distribution of certain property tax and assessment levies on the secured roll. In June 2009, in order to address cash flow issues and other financial matters, Tulare County discontinued the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within Tulare County, such as the District. The District's receipt of property taxes collected in Tulare County is therefore subject to delinquencies.

The annual secured tax levies and delinquencies within the District for fiscal years 2013-14 through 2018-19 in Tulare County are shown in the following table.

**THREE RIVERS UNION SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2018-19**

Tax Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2013-14	\$584,268.90	\$13,211.65	2.26%
2014-15	583,786.62	14,852.63	2.54
2015-16	602,696.57	13,806.48	2.29
2016-17	612,615.07	15,076.27	2.46
2017-18	655,364.03	13,992.55	2.14
2018-19	690,066.55	14,541.66	2.11

(1) District's 1% general fund apportionment.
Source: California Municipal Statistics, Inc.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 146-009)⁽¹⁾ within the District for fiscal years 2015-16 through 2019-20.

**THREE RIVERS UNION SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 146-009)⁽¹⁾
Fiscal Years 2015-16 through 2019-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
College of the Sequoias - Visalia SFID	.0145	.0121	.0133	.0080	.0073
Woodlake Union High School District	.0482	.0500	.0500	.0550	.0492
Three Rivers Elementary School District	--	--	--	--	.0300
Total Tax Rate	\$1.0627	\$1.0621	\$1.0633	\$1.0630	\$1.0865

(1) 2019-20 assessed valuation of TRA 146-009 is \$ 295,295,451, which is 68.66% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Changes in District assessed valuations can result in changes to tax rates which are based on *ad valorem* taxes. See above under “-Assessed Valuations – Some Factors Relating to Increases/Decreases in Assessed Value.”

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations 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.

THREE RIVERS UNION SCHOOL DISTRICT Top 20 Secured Property 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.	BSK Investment LLC	Hotel/Motel	\$10,574,386	2.47%
2.	Boston Ranch Company	Agricultural	5,603,814	1.31
3.	Padma LLC	Hotel/Motel	3,304,738	0.77
4.	BTL & SVI LLC	Hotel/Motel	3,298,200	0.77
5.	Three Rivers Sequoia Ranch LLC	Agricultural	3,247,624	0.76
6.	KD Spa LLC	Hotel/Motel	3,163,923	0.74
7.	Paul Robin Doose	Residential	2,038,958	0.48
8.	Blossom Ranch Holdings LLC	Residential	1,985,355	0.46
9.	Schrock Ranch LLC	Agricultural	1,887,709	0.44
10.	Clean Earth Capital Silver City LLC	Hotel/Motel	1,866,139	0.44
11.	Daniel M. Carlson	Residential	1,816,384	0.42
12.	Elliott Land & Cattle Co. Inc.	Agricultural	1,805,259	0.42
13.	Polymath LLC	Residential	1,796,626	0.42
14.	AC Sequoia LLC	Campground	1,684,466	0.39
15.	Michael McCoy	Commercial	1,668,454	0.39
16.	Christopher L. Thomson	Residential	1,494,046	0.35
17.	Robert and Srey Vivo	Residential	1,459,976	0.34
18.	Martin T. & Ellen K. Burnham	Residential	1,437,357	0.34
19.	Gregory D. & Nataliya Dixon	Commercial	1,345,017	0.31
20.	Hardip Singh & Kamaldeep K. Mann	Commercial	<u>1,344,714</u>	<u>0.31</u>
			\$52,823,145	12.36%

(1) 2019-20 local secured assessed valuation: \$427,398,924.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of June 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.

**THREE RIVERS UNION SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of June 1, 2020)**

2019-20 Assessed Valuation: \$430,070,546

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/20</u>
College of Sequoias Visalia School Facilities Improvement District	2.411%	\$ 623,220
Woodlake Union High School District	38.746	1,634,572
Three Rivers Union School District	100.000	<u>2,100,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$4,357,792
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Tulare County Certificates of Participation	1.170%	\$ 363,929
Tulare County Pension Obligation Bonds	1.170	2,724,638
Tulare County Board of Education Certificates of Participation	1.170	444,191
College of Sequoias Certificates of Participation	1.266	60,578
Woodlake Union High School District Certificates of Participation	38.746	<u>61,351</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$3,654,687
COMBINED TOTAL DEBT		\$8,012,479 ⁽²⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$2,100,000)	0.49%
Total Direct and Overlapping Tax and Assessment Debt	1.01%
Combined Total Debt	1.86%

(1) Excludes the Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

BOND INSURANCE

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

Bond Insurance Policy

Concurrently with the issuance of the Bonds, AGM will issue the Policy. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“**AGL**”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance, (including infrastructure), and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“**KBRA**”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“**Moody’s**”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("**AGE**"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective

dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

TAX MATTERS

Tax Exemption

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

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, bond 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 bond 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 bond 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.

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

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

Compensation of Certain Professionals

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

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2021, with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

In the previous five years, the District failed to timely file its 2019-20 budget, as required by its existing continuing disclosure undertaking. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATINGS

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

In addition, S&P, has assigned an underlying rating of "A+" to the 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 ratings reflect only the view of S&P and an explanation of the significance of such ratings and outlook may be obtained only from S&P. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the ratings 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 Bonds.

UNDERWRITING

The Bonds are being purchased by O'Connor & Company Securities, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ which is equal to the initial principal amount of the Bonds of \$_____, plus original issue premium of \$_____ less an Underwriter's discount of \$_____.

The bond purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

THREE RIVERS UNION SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The Three Rivers Union School District (the "**District**") is a school district located in the unincorporated community of Three Rivers in Tulare County (the "**County**"). The District currently operates one elementary school (K-8). Enrollment in the District for the 2019-20 school year is approximately 133 students.

See also APPENDIX C hereto for demographic and other statistical information regarding the County.

Administration

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Current members of the Board, together with their office and the date their term expires, are listed below.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sue Winters	President	December 2022
Jason Hawes	Clerk	December 2020
Mark Frick	Trustee	December 2020
Peter Mestaz	Trustee	December 2022
Anne Pfaff	Trustee	December 2022

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Susan P. Sherwood is the Superintendent of the District and Lynda LeFave is the Business Services Manager.

Recent Enrollment Trends

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

ANNUAL ENROLLMENT Fiscal Years 2011-12 through 2019-20 Three Rivers Union School District

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>% Change</u>
2011-12	138	--%
2012-13	142	2.9
2013-14	155	9.2
2014-15	143	(7.7)
2015-16	143	0.0
2016-17	140	(2.1)
2017-18	146	4.3
2018-19	131	(10.3)
2019-20 ⁽¹⁾	133	1.5

(1) Projected.

Source: California Department of Education for 2011-12 through 2018-19;
Three Rivers Union School District for 2019-20.

District's Response to COVID-19 Emergency

On March 27, 2020, the District announced that site-based schooling was closed through the end of the school year. The District is incurring costs that were not anticipated at the time of the current year's budget as a result of COVID-19, such as the costs of mitigation measures and of implementing distance learning. However, funding under the CARES Act and other cost-saving impacts of not operating site-based learning, such as reductions in transportation costs, fuel and electricity costs, largely offset those expenses. With respect to its pension costs, the District cannot currently predict if the COVID-19 emergency will have a material impact on its required employer contributions which could arise if the unfunded actuarial accrued liabilities of PERS and STRS materially increase.

The impacts of the COVID-19 emergency on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District.

Employee Relations

The District has 8.5 certificated full-time equivalent ("FTE") employees, 7.3 classified FTE employees, and 2.0 management/supervisor/confidential FTE employees. District staff are not represented by any bargaining units.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the

California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

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

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

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget based on the percentage of each district's students who are low-income,

English learners, and foster youth (“**Targeted Students**”), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts 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.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

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

Grade Span	2019-20 Base Grant Per ADA	2018-19 COLA (3.70%)	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	9,034	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 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

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

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

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2019 Audited Financial Statements were prepared by Linger, Peterson & Shrum, Certified Public Accountants, Fresno, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent of Business Services of the District. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2014-15 through 2018-19.

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2014-15 through 2018-19 (Audited)
Three Rivers Union School District ⁽¹⁾**

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19
Revenues					
LCFF sources	\$1,035,173	\$1,070,771	\$1,117,299	\$1,133,600	\$1,207,049
Federal Revenue	80,216	98,927	65,520	62,655	102,847
Other State Revenue	40,026	142,871	87,659	321,402	165,290
Other Local Revenue	19,486	29,562	16,576	13,740	63,122
Total Revenues	1,174,901	1,342,131	1,287,054	1,531,397	1,538,308
Expenditures					
Instruction	693,121	704,261	740,967	784,899	797,403
Instruction-Related Services				133,992	150,701
Instructional Library, Media and Tech	--	--	--	--	--
School Site Administration	100,859	101,018	104,594	--	--
Pupil Services				25,839	28,549
Home-to-School Transportation	20,282	24,219	23,244	--	--
Ancillary Services	1,757	1,756	2,619	3,056	3,047
Community Services	707	4,719	6,267	500	500
General Administration	98,660	112,470	126,811	134,738	182,695
Plant services	103,136	116,896	131,708	145,677	135,499
Facility Acquisition	--	--	345,887	--	--
Debt Service:					
Principal	44,908	44,907	49,305	33,228	26,486
Interest	--	--	--	4,085	3,209
Total Expenditures	1,063,430	1,110,246	1,531,402	1,266,014	1,341,752
Excess (Deficiency) of Revenues over expenditures	111,471	231,885	(244,348)	265,383	196,556
Operating Transfers in	--	--	--	--	--
Operating Transfers out	(20,037)	(13,400)	(18,779)	(23,005)	(24,600)
Other Sources	--	--	--	--	(1)
Total other financing sources (uses)	(20,037)	(13,400)	(18,779)	(23,005)	(24,601)
Net Change in Fund Balance	91,434	218,485	(263,127)	242,378	171,955
Fund Balance, July 1	738,798	830,232	1,048,717	785,590	1,027,968
Fund Balance, June 30	\$830,232	\$1,048,717	\$785,590	\$1,027,968	\$1,199,923

(1) Figures may not sum to totals due to rounding.

Source: Three Rivers Union School District Audit Reports.

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 Tulare County Superintendent of Schools (the "**County Superintendent**").

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

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

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

District's Budget and Interim Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2019-20 (adopted budget and second interim projections).

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

	Adopted Budget 2019-20	Second Interim 2019-20
Revenues		
Total LCFF Sources	\$1,140,163	\$1,151,722
Federal Revenues	69,943	78,430
Other state revenues	73,232	102,221
Other local revenues	25,600	31,150
Total Revenues	1,308,938	1,363,523
Expenditures		
Certificated Salaries	491,500	497,500
Classified Salaries	198,980	192,105
Employee Benefits	387,814	387,423
Books and Supplies	75,407	76,261
Services and Other Operating Expenditures	183,919	180,942
Capital Outlay	--	212,409
Other Outgo (excluding transfers of indirect costs)	29,694	29,694
Other Outgo	--	--
Total Expenditures	1,367,314	1,576,334
Excess of Revenues Over/(Under) Expenditures	(58,376)	(212,811)
Other Financing Sources (Uses)		
Operating transfers in	--	162,901
Operating transfers out	(26,000)	(227,000)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(26,000)	(64,099)
Net change in fund balance	(84,376)	(276,910)
Fund Balance, July 1	987,514	987,514
Fund Balance, June 30 ⁽¹⁾	\$1,115,547	\$923,013

(1) Fund balances do not reflect all funds included in the District's general fund revenues shown above.
Source: Three Rivers Union School District Adopted Budget and Second Interim Report for 2019-20.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 5% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

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

Attendance - Revenue Limit and LCFF Funding

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

THREE RIVERS UNION SCHOOL DISTRICT ADA and LCFF Funding Fiscal Years 2013-14 through 2019-20 (Budgeted)

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	150	\$6,324
2014-15	138	7,130
2015-16	140	7,659
2016-17	135	8,274
2017-18	137	8,264
2018-19	126	9,585
2019-20 ⁽¹⁾	127	9,069

(1) Second Interim Projection.

Source: California Department of Education; Three Rivers Union School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 41% for purposes of calculating supplemental and concentration grant funding under LCFF.

Possible Impacts of COVID-19. As described herein, the short-term and long-term impact of COVID-19 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 "SECURITY FOR THE BONDS – *Ad Valorem* Taxes – 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.

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

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

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

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

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

District Retirement Systems

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

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

STRS Contributions Three Rivers Union School District Fiscal Years 2016-17 through 2019-20 (Projected)

Fiscal Year	Amount
2016-17	\$61,917
2017-18	61,854
2018-19	73,871
2019-20 ⁽¹⁾	128,245

⁽¹⁾ Second Interim Projection.
Source: Three Rivers 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 \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16 through 2019-20 were 10.73%, 12.58%, 14.43%, 16.28% and 17.10, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2020-21 through 2022-23**

Fiscal Year	Employer Contribution Rate⁽¹⁾
2020-21	18.40%
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. Does not reflect the proposed changes to such rates included in the May Revision.
 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
Three Rivers Union School District
Fiscal Years 2016-17 through 2019-20 (Projected)**

Fiscal Year	Amount
2016-17	\$19,111
2017-18	19,111
2018-19	30,928
2019-20 ⁽¹⁾	29,450

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

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

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

Source: PERS.

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

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19, and 2019-20 were 11.847%, 13.888%, 15.531%, 18.062%, and 19.721% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2020-21 through 2022-23⁽¹⁾**

Fiscal Year	Employer Contribution Rate ⁽²⁾
2020-21 ⁽³⁾	22.900%
2021-22	24.600
2022-23	25.300

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

(2) Expressed as a percentage of covered payroll. Rates have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following footnote (3). Does not reflect the proposed changes to such rates in the May Revision.

(3) The contribution rate for fiscal year 2020-21 reflects an initial actuarially determined rate of 23.35% that has been reduced by 0.67% after reflecting part of the State contribution in accordance with SB 90.

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 PEPRAs through collective bargaining.

PERS has predicted that the impact of PEPRAs 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 PEPRAs, 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 PEPRAs, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRAs, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

COVID-19 Impacts: Recent investment losses in the PERS and STRS portfolios as a result of the general market downturn caused by the Coronavirus outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

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

No Post-Employment Retirement Benefits

The District currently does not provide other post-employment benefits to employees.

Insurance – Joint Powers Agreement

The District participates in four joint ventures under joint powers agreements (“**JPA**s”) as follows: Northern California Regional Liability Excess Fund provides excess liability and excess workers' compensation insurance, Self-Insured Schools of California III provides health insurance, Tulare County SIG Workers' Compensation JPA provides workers' compensation insurance, and Tulare County School Districts' Self-Insurance Authority provides property and liability insurance. The relationships between the District and the other JPAs are such that none of the JPAs are component units of the District for financial reporting purposes. The JPAs provide insurance and services as noted for member school districts. Each JPA is governed by a board consisting of a representative from each member district. Such governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond representation on the governing board.

Each member district pays premiums and fees commensurate with the level of coverage or services requested, and shares surpluses and deficits proportionate to its participation in each JPA. Each JPA is independently accountable for its fiscal matters, and maintains its own accounting records. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Existing Debt Obligations

General Obligation Bonds. The District has prior general obligation bonds, secured by ad valorem taxes levied and collected within the District, on a parity basis with the Bonds, as described below. See also “DEBT SERVICE SCHEDULES” and in the District’s Audited Financial Statement for year Ended June 30, 2019, attached hereto as Appendix B, Note I.

The 2018 GO Bond Authorization. The District received authorization at an election held on November 6, 2018 (the “**2018 Authorization**”) to issue \$4,000,000 principal amount of general obligation bonds. On May 29, 2019 the District issued its \$2,100,000 General Obligation Bonds, Election of 2018, Series A (the “**Series A Bonds**”), which are currently outstanding in the aggregate principal amount of \$2,100,000. The Bonds described herein are the second series of bonds to be issued under the 2018 Authorization.

Capital Lease Obligations. The District has entered into various capital leases for equipment and facilities. The value of the net minimum payments due as of June 30, 2018 is \$84,152.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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

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

The COVID-19 pandemic is expected to have a material impact on State revenues and appropriations.

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

The Budget Process. The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year

(the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

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

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

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

Recent State Budgets

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

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

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

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

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

2019-20 State Budget

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

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

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

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

2020-21 Proposed State Budget

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.

May Revision. On May 14, 2020, the Governor released the May Revision to the 2020-21 Proposed State Budget (the “**May Revision**”). The May Revision notes that the COVID-19 pandemic and resulting recession has changed the State’s fiscal landscape dramatically. Unemployment claims have surged, with increased unemployment claims of 4.4 million from mid-March to May 9, 2020, and a projected 2020 unemployment rate of 18%. Job losses have occurred in nearly every sector of the economy, and personal income is projected to decline by 9% in 2020.

Following record economic expansion, the United States economy entered into a recession in March of 2020, causing an immediate negative impact on State revenues, with all three of the major revenue sources showing significant declines relative to the Governor’s original budget forecast. From fiscal years 2018-19 through 2020-21, the May Revision baseline revenue estimate has decreased by over \$43 billion, before accounting for transfers.

The changes in the three largest State tax sources are:

- Personal income tax revenues, which are revised downward by \$32.6 billion (including \$6.9 billion less in 2019-20 and \$26.3 billion less in 2020-21), due to a decline in all income sources, but particularly wages, proprietorship income, and capital gains;
- Sales and use tax receipts, which are down by almost \$10 billion (\$2.2 billion less in 2019-20 and \$7.7 billion in 2020-21) due mainly to lower consumption and investment by business; and
- Corporation tax revenues, which are down over \$5 billion based on a significant drop in corporate profits.

After accounting for transfers, which includes loan repayments as well as automatic and discretionary transfers to the State’s Rainy Day Fund, baseline State general fund revenues at the May Revision forecast are down relative to the proposed budget by \$41.2 billion (\$9.6 billion in the current 2019-20 fiscal year and \$32 billion in the budgeted 2020-21 fiscal year).

The revenue decreases, combined with increased costs in health and human service programs and the added costs to address COVID-19, result in a projected budget deficit of approximately \$54 billion, before the changes proposed in the May Revision. To close the budget gap, the May Revision proposes to:

- Cancel \$6.1 billion in program expansions and spending increases;
- Draw down \$16.2 billion in the Rainy Day Fund over three years, with \$8.3 billion withdrawn in 2020-21 (\$7.8 billion from the Rainy Day Fund and \$450 million from the Safety Net Reserves);
- Borrow and transfer \$4.1 billion from special funds;

- Undertake revenue-generating measures with a temporary suspension of net operating losses and temporary limit of \$5 million to the amount of credits a taxpayer can use in any given tax year, generating new revenue of \$4.4 billion in 2020-21;
- Reflect Federal funds support of \$8.3 billion and triggers of \$14.0 billion in reductions to base programs and employee compensation that will be necessary if sufficient federal funding does not materialize.

The May Revision estimates, as of May 9, 2020, that the State will benefit from over \$186 billion in federal stimulus funds (which amount includes approximately \$115 billion in direct benefits to individuals, families, small businesses, higher education institutions and \$71 billion to or through the State), as a result of the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act. This federal funding is not expected to be sufficient to address the State's fiscal crisis.

With respect to California K-12 schools and community colleges, the economic recession and the State's reduced State general fund revenues will have a significant negative impact on the Proposition 98 education funding guarantee. The May Revision estimates that Proposition 98 funding will decline by \$19 billion from the original budget, a decline of 25% from the prior year. To mitigate the impacts on school funding, the May Revision withdraws a number of funding proposals that were included in the proposed budget, suspends the statutory cost-of-living adjustment of 2.31% in 2020-21 for all eligible programs, and proposes the following:

- *Temporary Revenue Increases.* The May Revision proposes the temporary three-year suspension of net operating losses and limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These measures along with other more minor tax changes will generate \$4.5 billion in State general fund revenues, and an approximately \$1.8 billion in benefit to the Proposition 98 Guarantee.
- *Federal Funds.* The May Revision proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures, including supporting an earlier start date for the next school year.
- *Revising PERS/STRS Contributions.* The 2018-19 State budget included \$850 million to buy down local educational agency employer contribution rates for STRS and PERS in 2019-20 and 2020-21, as well as \$2.3 billion towards the employer long-term unfunded liability. To provide local educational agencies with increased fiscal relief, the May Revision proposes redirecting the \$2.3 billion paid to STRS and PERS towards long-term unfunded liabilities to further reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the STRS employer rate from 18.41% to approximately 16.15% in 2020-21, and from 18.2% to 16.02% in 2021-22. The PERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in 2020-21 and from 25% to 22.84% in 2021-22.

The May Revision indicates that in 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$13 billion. To accelerate the recovery from this funding reduction, the May Revision proposes to provide supplemental appropriations above the constitutionally required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of State General Fund revenues per year, up to a cumulative total of \$13 billion. This will accelerate growth in the Proposition 98 guarantee, which will increase as a share of the State's general fund. Currently, Proposition 98 guarantees that K-14 schools receive approximately 38% of the State General Fund, but the May Revision proposes to increase this share of funding to 40% by 2023-24.

The May Revision also reflects the withdrawal of all of the funding in the Public School System Stabilization Account, which was originally projected to be approximately \$524 million in 2019-20. The May Revision projects that no additional deposits will be required, and the entire amount is available to offset the decline in the Proposition 98 guarantee.

The May Revision proposes a one-time investment of \$4.4 billion (\$4 billion federal Coronavirus Relief Fund and \$355 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures. Funds will be allocated to local educational agencies offering classroom-based instruction based on a formula that takes into account the share of students most heavily impacted by school closures, including students with disabilities, low-income students, English learners, youth in foster care, and homeless youth.

Absent additional Federal funds, the May Revision proposes a 10% (\$6.5 billion) reduction to LCFF, including the elimination of the 2.31% cost-of-living adjustment. This reduction to LCFF will be eliminated if the Federal government provides sufficient funding to backfill the loss. The May Revision also proposes apportionment deferrals to align Proposition 98 expenditures and resources with the need of local educational agencies to maintain fiscal stability. In 2019-20, the May Revision proposes to defer \$1.9 billion of LCFF apportionments to 2020-21, and an additional \$3.4 billion is added to the 2019-20 deferral in 2020-21, for a total of \$5.3 billion in LCFF deferrals scheduled for payment in 2021-22.

The May Revision includes certain fiscal and programmatic flexibilities, including exemptions from deferrals in the case of documented hardship, excluding state pension payments on behalf of local educational agencies from the calculation of required contributions to restricted maintenance, increases on internal inter-fund borrowing, and the use of proceeds from the sale of surplus property for one-time general fund purposes, among others.

The May Revision notes that property taxes are local revenue sources, but the amount generated each year has a substantial impact on the State budget because local property tax revenues allocated to K-14 schools help offset State general fund expenditures. Preliminary data show statewide property tax revenues increased 5.8% in 2019-20, which is 0.6% lower than the 6.4% growth rate originally expected in the 2021 State Budget. Property tax revenues are expected to grow 3.5% in 2020-21, 2.2% lower than the 5.7% growth expected at the time of the original proposed budget due to increased delinquencies, which typically rise during periods of recession. Approximately 42% (\$32 billion) of 2020-21 property tax revenues will go to K-14 schools. While this amount includes \$2.3 billion that schools are expected to receive in 2020-21 due to the dissolution of redevelopment agencies, it excludes the \$9.4 billion shifted from schools to cities and counties to replace vehicle license fee revenue losses stemming from the reduced vehicle license fee rate of 0.65%.

Due to the COVID-19 pandemic, the federal and State income tax deadline has been extended to July 15, 2020, and it is likely that the budget will be updated after the July 15, 2020 filing deadline to more accurately reflect income tax revenues.

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 Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2019-20 State Budget and 2020-21 Proposed State Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

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

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

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

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

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

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

Article XIII B of the California Constitution

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

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

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

certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

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

Unitary Property

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

Articles XIII C and XIII D of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC 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 Bonds.

Proposition 98

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

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter

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

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

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

Proposition 30 and Proposition 55

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

but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

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

California Senate Bill 222

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

Future Initiatives

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

APPENDIX B

**THREE RIVERS UNION SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018-19**

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**THREE RIVERS UNION SCHOOL DISTRICT
COUNTY OF TULARE
THREE RIVERS, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

**Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928**

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Introductory Section

Three Rivers Union School District
 Audit Report
 For The Year Ended June 30, 2019

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Three Rivers Union School District
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Financial Section

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928

Independent Auditor's Report

To the Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Three Rivers Union School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Union School District as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Three Rivers Union School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of Three Rivers Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Three Rivers Union School District's internal control over financial reporting and compliance.

Respectfully submitted,



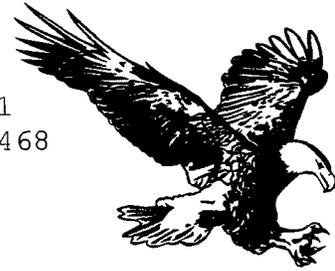
Linger, Peterson & Shrum
Fresno, California
December 13, 2019

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Management's Discussion and Analysis

Three Rivers Union School District

K-8 Elementary
P.O. Box 99
41932 Sierra Drive
Three Rivers, California 93271
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THREE RIVERS UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

The discussion and analysis of the Three Rivers Union School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- Total assets increased \$2,345,786. Deferred outflows decreased \$26,715 from the beginning balance. Total liabilities increased \$2,215,945 from the beginning balance. Deferred inflows increased \$19,533. Net position increased \$83,593 from the beginning net position.
- General revenues accounted for \$1,818,126 in revenue or 88% of all revenues. Program specific revenues, in the form of charges for services, and grants and contributions, accounted for \$255,831 or 12% of total revenues of \$2,073,957.
- The District had \$1,990,364 in expenses related to governmental activities; only \$214,348 of these expenses were offset by program specific grants and contributions, \$37,833 of these expenses were offset by program specific charges, and \$3,650 of these expenditures were offset by capital grants and contributions.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities as a whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column. For the District, the General Fund and the Cafeteria Fund are the most significant Funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

While this report contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question: "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash was received or paid.

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

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental activities – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- Business-type activities – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District had no business-type activities for the fiscal year ended June 30, 2019.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Cafeteria Fund.

Governmental Funds

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

Enterprise Funds

The Enterprise Fund, when applicable, uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same; however, the District had no Enterprise Funds.

Fiduciary Funds

For assets that belong to others, such as the Scholarship Fund and/or Student Body Funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. A separate Statement of Fiduciary Net Position--Fiduciary Fund and a Statement of Changes in Assets and Liabilities--Agency Fund report the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used by the District to finance its operations.

THE DISTRICT AS A WHOLE

Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position for 2019 compared to 2018.

Table 1: Net Position

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 3,578,956	\$ 1,313,615
Capital assets, net	2,186,518	2,106,073
Total Assets	<u>\$ 5,765,474</u>	<u>\$ 3,419,688</u>
Deferred Outflows of Resources	<u>\$ 316,060</u>	<u>\$ 342,775</u>
Liabilities		
Current liabilities	\$ 232,338	\$ 95,965
Long-term liabilities	3,314,757	1,235,185
Total Liabilities	<u>\$ 3,547,095</u>	<u>\$ 1,331,150</u>
Deferred Inflows of Resources	<u>\$ 161,197</u>	<u>\$ 141,664</u>
Net Position		
Net investment in capital assets	\$ 2,366	\$ 1,995,435
Restricted	2,231,040	463,486
Unrestricted	139,836	(169,272)
Total Net Position	<u>\$ 2,373,242</u>	<u>\$ 2,289,649</u>

Total assets increased \$2,345,786. Deferred outflows decreased \$26,715. Total liabilities increased \$2,215,945. Deferred inflows increased \$19,533. Net position increased \$83,593 from the beginning net position.

Table 2: Changes in Net Position – Statement of Activities

Table 2 reflects the change in net position on the Statement of Activities for fiscal year 2019 compared to 2018:

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 37,833	\$ 34,748
Operating grants and contributions	214,348	344,597
Capital grants and contributions	3,650	209,753
General Revenues		
LCFF Sources	1,207,049	1,133,600
Federal Revenue	49,127	21,895
Other State Revenue	163,209	95,052
Other Local Revenue	398,741	8,586
Total Revenues	<u>\$ 2,073,957</u>	<u>\$ 1,848,232</u>
Program expenses:		
Instruction	\$ 947,709	\$ 986,347
Instruction-related services	161,794	157,731
Pupil services	109,979	132,242
Ancillary services	3,047	3,056
Community services	500	622
Enterprise	-	1,934
General Administration	196,077	153,122
Plant services	236,847	223,750
Other outgo	331,202	-
Interest on long-term obligations	3,209	4,085
Total Expenses	<u>\$ 1,990,364</u>	<u>\$ 1,662,889</u>
Changes in Net Position	<u>\$ 83,593</u>	<u>\$ 185,342</u>

Governmental Activities

The Statement of Activities reflects the cost of program services and the operating grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues and unrestricted state entitlements.

Table 3: Governmental Activities

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and instruction-related services	\$ 1,109,503	\$ 984,580	\$ 1,144,078	\$ 901,674
Pupil services	109,979	71,887	132,242	87,487
General administration	196,077	172,724	153,122	111,754
Plant services	236,847	167,847	223,750	(35,923)
Ancillary services	3,047	2,653	3,056	2,286
Community services	500	431	622	494
Enterprise	-	-	1,934	1,934
Other outgo	331,202	331,202	-	-
Interest on long-term debt	3,209	3,209	4,085	4,085
	<u>\$ 1,990,364</u>	<u>\$ 1,734,533</u>	<u>\$ 1,662,889</u>	<u>\$ 1,073,791</u>

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for by using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$3,921,519, and expenditures and other financing uses of \$1,792,551. The positive change in fund balance for the year reflects that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2019, the District amended its General Fund budget as needed. The District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$2,186,518 invested in capital assets. Table 4 reflects fiscal year 2019 balances compared to 2018:

Table 4: Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	\$ 10,870	\$ 10,870
Work in progress	209,559	-
Land Improvements	348,100	376,037
Buildings	1,486,636	1,566,837
Equipment	131,353	152,329
Totals	<u>\$ 2,186,518</u>	<u>\$ 2,106,073</u>

Debt

At June 30, 2019, the District had \$3,314,757 in long-term debt as compared to \$1,235,185 at June 30, 2018.

Table 5: Outstanding Debt, at Year-End

	Governmental Activities	
	2019	2018
Capital leases	\$ 84,152	\$ 110,638
Compensated absences	9,494	8,808
General obligation bonds	2,100,000	-
Net pension liability	1,121,111	1,115,739
Totals	<u>\$ 3,314,757</u>	<u>\$ 1,235,185</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The uncertainty of federal and state funding can have a profound impact on the financial health of the District. The federal budget was recently adopted and the state could implement budget cuts, as it did during the current year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Susan P. Sherwood, Superintendent/Principal at 41932 Sierra Drive, P.O. Box 99, Three Rivers, California 93271.

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Basic Financial Statements

THREE RIVERS UNION SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 3,503,842
Cash on Hand and in Banks	2,600
Accounts Receivable	71,336
Stores Inventories	1,178
Capital Assets:	
Land	10,870
Land Improvements, Net	348,100
Buildings, Net	1,486,636
Equipment, Net	131,353
Work in Progress	209,559
Total Assets	<u>5,765,474</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	316,060
Total Deferred Outflows of Resources	<u>316,060</u>
LIABILITIES:	
Accounts Payable	227,338
Unearned Revenue	5,000
Noncurrent Liabilities:	
Net Pension Liability	1,121,111
Due within one year	27,254
Due in more than one year	2,166,392
Total Liabilities	<u>3,547,095</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	161,197
Total Deferred Inflows of Resources	<u>161,197</u>
NET POSITION:	
Net Investment in Capital Assets	2,366
Restricted For:	
Debt Service	8,654
Capital Projects	2,133,483
Other Purposes	88,903
Unrestricted	139,836
Total Net Position	<u>\$ 2,373,242</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	\$ 947,709	\$ 1,448	\$ 104,220	\$ -	\$ (842,041)
Instruction-Related Services	161,794	264	18,991	-	(142,539)
Pupil Services	109,979	10,219	27,873	-	(71,887)
Ancillary Services	3,047	5	389	-	(2,653)
Community Services	500	1	68	-	(431)
General Administration	196,077	321	23,032	-	(172,724)
Plant Services	236,847	25,575	39,775	3,650	(167,847)
Other Outgo	331,202	-	-	-	(331,202)
Interest on Long-Term Obligations	3,209	-	-	-	(3,209)
Total Governmental Activities	<u>1,990,364</u>	<u>37,833</u>	<u>214,348</u>	<u>3,650</u>	<u>(1,734,533)</u>
Total Primary Government	<u>\$ 1,990,364</u>	<u>\$ 37,833</u>	<u>\$ 214,348</u>	<u>\$ 3,650</u>	<u>(1,734,533)</u>
General Revenues:					
LCFF Sources					1,207,049
Federal Revenues					49,127
State Revenues					163,209
Local Revenues					398,741
Total General Revenues					<u>1,818,126</u>
Change in Net Position					83,593
Net Position - Beginning					2,289,649
Net Position - Ending					<u>\$ 2,373,242</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 1,180,119	\$ 2,120,085	\$ 203,638	\$ 3,503,842
Cash on Hand and in Banks	2,600	-	-	2,600
Accounts Receivable	59,459	-	11,877	71,336
Stores Inventories	-	-	1,178	1,178
Total Assets	<u>1,242,178</u>	<u>2,120,085</u>	<u>216,693</u>	<u>3,578,956</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 37,255	\$ 190,083	\$ -	\$ 227,338
Unearned Revenue	5,000	-	-	5,000
Total Liabilities	<u>42,255</u>	<u>190,083</u>	<u>-</u>	<u>232,338</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	-	-	1,178	1,178
Restricted Fund Balances	85,523	1,930,002	215,515	2,231,040
Unassigned:				
Other Unassigned	1,114,400	-	-	1,114,400
Total Fund Balance	<u>1,199,923</u>	<u>1,930,002</u>	<u>216,693</u>	<u>3,346,618</u>
Total Liabilities and Fund Balances	<u>\$ 1,242,178</u>	<u>\$ 2,120,085</u>	<u>\$ 216,693</u>	<u>\$ 3,578,956</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET, GOVERNMENTAL FUNDS,
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total Fund Balances - Balance Sheet, Governmental Funds	\$ 3,346,618
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets	4,300,866
Accumulated depreciation	(2,114,348)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(2,100,000)
Net pension liability	(1,121,111)
Compensated absences payable	(9,494)
Capital leases payable	(84,152)
Deferred outflows and inflows of resources are not reported in the funds because they are applicable to future periods:	
Deferred outflows of resources related to pensions	316,060
Deferred inflows of resources related to pensions	(161,197)
Total Fund Balance of Governmental Activities - Statement of Net Position	\$ <u>2,373,242</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 384,067	\$ -	\$ -	\$ 384,067
Education Protection Account Funds	27,650	-	-	27,650
Local Sources	795,332	-	-	795,332
Federal Revenue	102,847	-	21,727	124,574
Other State Revenue	165,290	-	2,514	167,804
Other Local Revenue	63,122	20,085	40,047	123,254
Total Revenues	<u>1,538,308</u>	<u>20,085</u>	<u>64,288</u>	<u>1,622,681</u>
Expenditures:				
Current:				
Instruction	797,403	-	-	797,403
Instruction - Related Services	150,701	-	-	150,701
Pupil Services	28,549	-	59,456	88,005
Ancillary Services	3,047	-	-	3,047
Community Services	500	-	-	500
General Administration	182,695	-	-	182,695
Plant Services	135,499	-	5,246	140,745
Other Outgo	-	165,601	-	165,601
Capital Outlay	13,663	190,083	5,813	209,559
Debt Service:				
Principal	26,486	-	-	26,486
Interest	3,209	-	-	3,209
Total Expenditures	<u>1,341,752</u>	<u>355,684</u>	<u>70,515</u>	<u>1,767,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>196,556</u>	<u>(335,599)</u>	<u>(6,227)</u>	<u>(145,270)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	24,600	24,600
Transfers Out	(24,600)	-	-	(24,600)
Proceeds From Sale of Bonds	-	2,265,601	-	2,265,601
Other Sources	(1)	-	8,638	8,637
Total Other Financing Sources (Uses)	<u>(24,601)</u>	<u>2,265,601</u>	<u>33,238</u>	<u>2,274,238</u>
Net Change in Fund Balance	171,955	1,930,002	27,011	2,128,968
Fund Balance, July 1	1,027,968	-	189,682	1,217,650
Fund Balance, June 30	<u>\$ 1,199,923</u>	<u>\$ 1,930,002</u>	<u>\$ 216,693</u>	<u>\$ 3,346,618</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 2,128,968
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Expenditures for capital outlay	209,559
Depreciation expense	(129,114)
Governmental funds report repayments of long-term debt as expenditures. In the Government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	
	26,486
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds:	
Compensated absences	(686)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Amounts recognized in the funds as proceeds from debt were:	
	(2,100,000)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	
	<u>(51,620)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 83,593</u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 18,029
Total Assets	<u>18,029</u>
LIABILITIES:	
Due to Student Groups	\$ 18,029
Total Liabilities	<u>18,029</u>
NET POSITION:	
Total Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The District reports the following major governmental funds:

General Fund. This is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

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

In addition, the District reports the following non-major funds:

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

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on development projects as a condition of approval.

County School Facilities Fund. This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants as provided by the Leroy F Green School Facilities Act of 1998.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Tulare County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. Inventories of the General Fund are immaterial and have been omitted from these statements.

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

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Examples</u>	<u>Estimated Useful Life in Years</u>
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation AC systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop, maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressors	10
Grounds equipment	Mowers, tractors, attachments	15

d. Receivable and Payable Balances

There are no significant receivables which are not scheduled for collection within one year of year end.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

f. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Tulare bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

7. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report, as applicable.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date (VD) (STRS)	June 30, 2018
Valuation Date (VD) (PERS)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

11. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

B. Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Cafeteria Fund:	
Books and supplies	\$ 2,011

Cafeteria Fund: The District incurred additional expenditures for food when recording the fair market value of commodities received.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Tulare County Treasury as part of the common investment pool (\$3,503,842 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$3,503,842. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$2,600 as of June 30, 2019) and in the revolving fund (\$0) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Cash in County Treasury	Less than 12 months	\$ 3,503,842
Cash on Hand and in Banks	Less than 12 months	2,600
Total Investments		<u>\$ 3,506,442</u>

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to significant credit risk.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to significant custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to significant concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to significant interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to significant foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

D. Accounts Receivable

Accounts receivable and due from grantor governments at June 30, 2019 consisted of the following:

	General Fund	All Other Governmental Funds	Total Governmental Funds
Federal programs	\$ 6,006	\$ 3,370	\$ 9,376
State lottery	4,349	-	4,349
Other local receivables	49,104	8,507	57,611
Total	<u>\$ 59,459</u>	<u>\$ 11,877</u>	<u>\$ 71,336</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 10,870	\$ -	\$ -	\$ 10,870
Work in progress	-	209,559	-	209,559
Total capital assets not being depreciated	<u>10,870</u>	<u>209,559</u>	<u>-</u>	<u>220,429</u>
Capital assets being depreciated:				
Buildings	2,868,879	-	-	2,868,879
Improvements	811,385	-	-	811,385
Equipment	400,173	-	-	400,173
Total capital assets being depreciated	<u>4,080,437</u>	<u>-</u>	<u>-</u>	<u>4,080,437</u>
Less accumulated depreciation for:				
Buildings	(1,302,042)	(80,201)	-	(1,382,243)
Improvements	(435,348)	(27,937)	-	(463,285)
Equipment	(247,844)	(20,976)	-	(268,820)
Total accumulated depreciation	<u>(1,985,234)</u>	<u>(129,114)</u>	<u>-</u>	<u>(2,114,348)</u>
Total capital assets being depreciated, net	<u>2,095,203</u>	<u>(129,114)</u>	<u>-</u>	<u>1,966,089</u>
Governmental activities capital assets, net	<u>\$ 2,106,073</u>	<u>\$ 80,445</u>	<u>\$ -</u>	<u>\$ 2,186,518</u>

Depreciation was charged to functions as follows:

Instruction	\$ 11,371
Pupil Services	20,744
General Administration	2,313
Plant Services	94,686
	<u>\$ 129,114</u>

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

F. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Reason</u>
Cafeteria Special Revenue Fund	General Fund	\$ 24,600	To support food service salaries and benefits
	Total	<u>\$ 24,600</u>	

G. Accounts Payable

Accounts payable at June 30, 2019 consisted of the following:

	<u>General (Combined) Fund</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Vendor payables	\$ 5,193	\$ 190,083	\$ 195,276
Salaries and benefits	10,083	-	10,083
Other	21,979	-	21,979
Totals	<u>\$ 37,255</u>	<u>\$ 190,083</u>	<u>\$ 227,338</u>

H. Unearned Revenue

The District has received revenues for programs as advances, or before program expenditures were incurred. Such revenues are reported in these statements as "unearned," and will be recognized in subsequent periods as program expenditures are made.

Unearned revenue at June 30, 2019 consisted of the following:

	<u>General Fund</u>
Title IV, Part A, Student Support and Academic Enrichment	\$ 5,000

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ -	\$ 2,100,000	\$ -	\$ 2,100,000	\$ -
Capital leases	110,638	-	26,486	84,152	27,254
Net pension liability	1,115,739	5,372	-	1,121,111	-
Compensated absences	8,808	686	-	9,494	-
Total governmental activities	<u>\$ 1,235,185</u>	<u>\$ 2,106,058</u>	<u>\$ 26,486</u>	<u>\$ 3,314,757</u>	<u>\$ 27,254</u>

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
General obligation bonds	Governmental	Bond Interest and Redemption
Capital leases	Governmental	Capital Facilities fund
Net pension liability	Governmental	General
Compensated absences	Governmental	General

2. General Obligation Bonds and Accreted Interest

The outstanding general obligation bond debt of the District at June 30, 2019, is as follows:

<u>Bond</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>
2018, Series A	5/16/19	8/1/48	3.0-4.0

<u>Bond</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2018</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Bonds Outstanding June 30, 2019</u>
2018, Series A	\$ 2,100,000	\$ -	\$ 2,100,000	\$ -	\$ 2,100,000

The annual requirements to amortize general obligation bonds, payable and outstanding, and accreted interest as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 47,621	\$ 47,621
2021	-	88,247	88,247
2022	50,000	80,500	130,500
2023	-	79,750	79,750
2024	-	79,750	79,750
2025-2029	80,000	396,425	476,425
2030-2034	215,000	375,725	590,725
2035-2039	360,000	322,600	682,600
2040-2043	645,000	243,025	888,025
2045-2048	750,000	91,900	841,900
Totals	\$ 2,100,000	\$ 1,805,543	\$ 3,905,543

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2019, as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 27,254	\$ 2,440	\$ 29,694
2021	28,044	1,650	29,694
2022	28,854	839	29,693
Total	\$ 84,152	\$ 4,929	\$ 89,081

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

J. Compensated Absences

Compensated absences at June 30, 2019 consisted of:

	Compensated Absences	Benefits	Totals
Certificated	\$ 7,463	\$ 2,031	\$ 9,494

All amounts due after one year.

K. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2019, as follows:

<u>Year Ending June 30,</u>	
2020	\$ 8,669
2021	5,057
Total Minimum Rentals	<u>\$ 13,726</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

L. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30), 2018, Section 22950 of the California Education code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

Contributions made by the State on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 36,731	\$ 26,566
2018	8.292%	39,698	41,288
2019	14.772%	67,027	75,365

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	5.860%	\$ 10,034	\$ 10,034

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 73,871	\$ 30,928	\$ 104,799
Contributions - State On Behalf Payments	67,027	10,034	77,061
Total Contributions	\$ 140,898	\$ 40,962	\$ 181,860

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 69,081	\$ 22,749	\$ 91,830
Contributions - State On Behalf Payments	67,027	10,034	77,061
Total Contributions	\$ 136,108	\$ 32,783	\$ 168,891

THREE RIVERS UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 828,084
CalPERS	293,027
Total Net Pension Liability	<u>\$ 1,121,111</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0009%	0.0006%	0.0015%	0.0011%
Proportion June 30, 2019	0.0009%	0.0005%	0.0014%	0.0011%
Change in Proportion	-0.0000%	-0.0000%	-0.0001%	0.0000%

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (31,983)	\$ 37,351	\$ 5,368
State On Behalf Pension Expense	75,365	10,034	85,399
Employer Contributions to Pension Expense	73,871	30,928	104,799
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(3,616)	(7,982)	(11,598)
Difference Between Actual & Expected Experience	742	(15,151)	(14,409)
Change in Assumptions	37,178	6,002	43,180
Change in Proportionate Shares	8,835	(3,611)	5,224
Net Difference Between Projected & Actual Earnings	4,318	-	4,318
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	678	-	678
Change in Assumptions	-	-	-
Change in Proportionate Shares	21,455	(3,497)	17,958
Net Difference Between Projected & Actual Earnings	7,790	(6,893)	897
Total Pension Expense	<u>\$ 194,633</u>	<u>\$ 47,181</u>	<u>\$ 241,814</u>

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 73,871	\$ 30,928	\$ 104,799
Differences between actual and expected experience	2,227	19,708	21,935
Changes in assumptions	111,532	33,833	145,365
Change in employer's proportionate share	26,506	8,820	35,326
Net difference between projected and actual earnings	8,635	-	8,635
Total Deferred Outflows of Resources	<u>\$ 222,771</u>	<u>\$ 93,289</u>	<u>\$ 316,060</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (678)	\$ -	\$ (678)
Changes in assumptions	-	-	-
Change in employer's proportionate share	(21,455)	(10,491)	(31,946)
Net difference between projected and actual earnings	(89,191)	(39,382)	(128,573)
Total Deferred Inflows of Resources	<u>\$ (111,324)</u>	<u>\$ (49,873)</u>	<u>\$ (161,197)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 124,943	\$ 50,162	\$ (32,919)	\$ (19,037)	123,149
2021	51,071	19,233	(32,919)	(19,037)	18,348
2022	46,757	17,497	(32,920)	(10,071)	21,263
2023	-	6,397	(12,566)	(1,728)	(7,897)
2024	-	-	-	-	-
Total	<u>\$ 222,771</u>	<u>\$ 93,289</u>	<u>\$ (111,324)</u>	<u>\$ (49,873)</u>	<u>154,863</u>

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year	CalSTRS	CalPERS
	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

** An expected inflation of 2.00% used for this period

*** An expected inflation of 2.92% used for this period

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 1,213,043	\$ 426,635
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 828,084	\$ 293,027
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 508,912	\$ 182,182

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018 (Previously Reported)	\$ 4,487,054	\$ 3,116,496	\$ 1,370,558	\$ 510,491	\$ 860,067
Changes for the year:					
CalSTRS Auditor Adjustment	-	(7,225)	7,225	2,637	4,588
Change in Prop share	(190,745)	(132,483)	(58,262)	(31,443)	(26,819)
Service Cost	101,345	-	101,345	36,996	64,349
Interest	305,028	-	305,028	111,349	193,679
Differences between expected and actual experience	(1,334)	-	(1,334)	(487)	(847)
Contributions:					
Employer	-	69,058	(69,058)	(25,209)	(43,849)
Employee	-	49,612	(49,612)	(18,111)	(31,501)
State On Behalf Payments	-	39,685	(39,685)	(14,487)	(25,198)
Net Investment Income	-	264,977	(264,977)	(96,729)	(168,249)
Other Income	-	1,492	(1,492)	(545)	(947)
Benefit Payments, including refunds of employee contributions	(206,276)	(206,276)	-	-	-
Administrative expenses	-	(3,066)	3,066	1,119	1,947
Borrowing Costs	-	(1,337)	1,337	488	849
Other Expenses	-	(24)	24	9	15
Net Changes	8,018	74,412	(66,395)	(34,412)	(31,983)
Balance at June 30, 2019	\$ 4,495,072	\$ 3,190,908	\$ 1,304,163	\$ 476,079	\$ 828,084

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 908,969	\$ 653,293	\$ 255,676
Changes for the year:			
Change in Proportionate Share	23,764	17,080	6,684
Service Cost	23,878	-	23,878
Interest	67,761	-	67,761
Differences between expected and actual experience	20,363	-	20,363
Change in Assumptions	4,946	-	4,946
Contributions:			
Employer	-	22,758	(22,758)
Employee	-	10,473	(10,473)
Net Investment Income	-	55,995	(55,995)
Plan to Plan Resource Movement	-	-	-
Benefit Payments, including refunds of employee contributions	(44,544)	(44,544)	-
Administrative expenses	-	(1,016)	1,016
Other expenses	-	(1,929)	1,929
Net Changes	<u>96,168</u>	<u>58,817</u>	<u>37,351</u>
Balance at June 30, 2019	<u>\$ 1,005,137</u>	<u>\$ 712,110</u>	<u>\$ 293,027</u>

M. Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

N. Restricted Fund Balance

Restricted fund balances at June 30, 2019 are as follows:

Lottery Instructional Materials	\$ 28,566
Classified Employee Professional Development Block Grant	765
Low-Performing Students Block Grant	18,772
Other Restricted Local	37,420
Building Fund	1,930,002
Cafeteria Special Revenue Fund	3,380
Bond Interest and Redemption Fund	8,654
Capital Facilities Fund	39,200
County Schools Facilities Fund	164,281
Totals	<u>\$ 2,231,040</u>

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

O. Joint Ventures (Joint Powers Agreements)

The District participates in four joint ventures under joint powers agreements (JPAs) as follows:

Northern California Regional Liability Excess Fund (Nor Cal ReLiEF)
(excess liability and excess workers' compensation insurance)

Self-Insured Schools of California III (SISC III)
(health insurance)

Tulare County SIG Workers' Compensation JPA (TCSIG)
(workers' compensation insurance)

Tulare County School Districts' Self-Insurance Authority (TCSSIA)
(property and liability insurance)

The relationships between the District and the other JPAs are such that none of the other JPAs are component units of the District for financial reporting purposes.

The JPAs provide insurance and services as noted for member school districts.

Each JPA is governed by a board consisting of a representative from each member district. Such governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond representation on the governing board.

Each district pays premiums and fees commensurate with the level of coverage or services requested, and shares surpluses and deficits proportionate to its participation in each JPA.

Each JPA is independently accountable for its fiscal matters, and maintains its own accounting records.

The District's share of year-end assets, liabilities, or fund equity has not been calculated by the entities.

Condensed financial information for the above JPAs for the year ended June 30, 2019 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

Nor Cal ReLiEF, TCSIG
and TCSSIA

Keenan & Associates
2355 Crenshaw Blvd., Suite 200
Torrance, CA 90501

SISC III

Self-Insured Schools of California
Kern County Superintendent of Schools
P. O. Box 1847

THREE RIVERS UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

P. Subsequent Events

Implementation of New Accounting Guidance

The District is evaluating accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are not yet effective for the fiscal year ended June 30, 2019. Those newly issued pronouncements are as follows:

GASB Statement No. 84 - Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The District is currently evaluating what impact, if any, the implementation of this pronouncement will have on the financial statements.

GASB Statement No. 87 - Leases

This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The statement also clarifies the definition and identification of leases.

The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District is currently evaluating what impact, if any, the implementation of this pronouncement will have on the financial statements.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

THREE RIVERS UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 462,422	\$ 384,067	\$ 384,067	\$ -
Education Protection Account Funds	27,650	27,650	27,650	-
Local Sources	707,402	795,332	795,332	-
Federal Revenue	39,018	102,847	102,847	-
Other State Revenue	61,694	165,290	165,290	-
Other Local Revenue	16,820	63,122	63,122	-
Total Revenues	<u>1,315,006</u>	<u>1,538,308</u>	<u>1,538,308</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	572,600	480,951	480,951	-
Classified Salaries	184,570	186,864	186,864	-
Employee Benefits	393,434	379,154	379,149	5
Books And Supplies	47,990	61,113	61,113	-
Services And Other Operating Expenditures	183,151	190,317	190,317	-
Capital Outlay	-	226,073	13,663	212,410
Debt Service:				
Principal	26,486	26,486	26,486	-
Interest	3,209	3,209	3,209	-
Total Expenditures	<u>1,411,440</u>	<u>1,554,167</u>	<u>1,341,752</u>	<u>212,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(96,434)</u>	<u>(15,859)</u>	<u>196,556</u>	<u>212,415</u>
Other Financing Sources (Uses):				
Transfers Out	(22,000)	(24,600)	(24,600)	-
Other Sources	-	(1)	(1)	-
Total Other Financing Sources (Uses)	<u>(22,000)</u>	<u>(24,601)</u>	<u>(24,601)</u>	<u>-</u>
Net Change in Fund Balance	(118,434)	(40,460)	171,955	212,415
Fund Balance, July 1	1,027,968	1,027,968	1,027,968	-
Fund Balance, June 30	<u>\$ 909,534</u>	<u>\$ 987,508</u>	<u>\$ 1,199,923</u>	<u>\$ 212,415</u>

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.001%	0.001%	0.001%	0.001%	0.001%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$ 828,084	\$ 860,065	\$ 708,024	\$ 612,643	\$ 470,373	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	476,079	510,491	256,874	211,933	177,090	-	-	-	-	-
Total	\$ 1,304,163	\$ 1,370,556	\$ 964,898	\$ 824,576	\$ 647,463	\$ -				
District's covered-employee payroll	\$ 480,951	\$ 486,868	\$ 479,203	\$ 434,549	\$ 420,472	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	172.18%	176.65%	147.75%	140.98%	111.87%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.00%	70.00%	60.00%	-	-	-	-	-

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 73,871	\$ 70,255	\$ 68,458	\$ 47,438	\$ 40,608	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(73,871)	(70,255)	(68,458)	(47,438)	(40,608)	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 480,951	\$ 486,868	\$ 479,203	\$ 434,549	\$ 420,472	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	15.36%	14.43%	14.29%	10.92%	9.66%	-	-	-	-	-

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.001%	0.001%	0.001%	0.001%	0.001%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$ 293,027	\$ 255,674	\$ 231,158	\$ 180,959	\$ 148,573	- \$	- \$	- \$	- \$	-
District's covered-employee payroll	\$ 208,068	\$ 147,743	\$ 139,160	\$ 140,357	\$ 136,174	- \$	- \$	- \$	- \$	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	140.83%	173.05%	166.11%	128.93%	109.11%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.00%	79.00%	83.00%	-	-	-	-	-

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 30,928	\$ 22,946	\$ 19,900	\$ 16,671	\$ 13,205	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(30,928)	(22,946)	(19,900)	(16,671)	(13,205)	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 208,068	\$ 147,743	\$ 139,160	\$ 140,357	\$ 136,174	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	14.86%	15.53%	14.30%	11.88%	9.70%	-	-	-	-	-

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

THREE RIVERS UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
	Cafeteria Fund	Bond Interest & Redemption		
ASSETS:				
Cash in County Treasury	\$ 10	\$ 8,654	\$ 194,974	\$ 203,638
Accounts Receivable	3,370	-	8,507	11,877
Stores Inventories	1,178	-	-	1,178
Total Assets	<u>4,558</u>	<u>8,654</u>	<u>203,481</u>	<u>216,693</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	\$ 1,178	\$ -	\$ -	\$ 1,178
Restricted Fund Balances	3,380	8,654	203,481	215,515
Total Fund Balance	<u>4,558</u>	<u>8,654</u>	<u>203,481</u>	<u>216,693</u>
Total Liabilities and Fund Balances	<u>\$ 4,558</u>	<u>\$ 8,654</u>	<u>\$ 203,481</u>	<u>\$ 216,693</u>

THREE RIVERS UNION SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
	Cafeteria Fund	Bond Interest & Redemption		
Revenues:				
Federal Revenue	\$ 21,727	\$ -	\$ -	\$ 21,727
Other State Revenue	2,514	-	-	2,514
Other Local Revenue	10,199	16	29,832	40,047
Total Revenues	<u>34,440</u>	<u>16</u>	<u>29,832</u>	<u>64,288</u>
Expenditures:				
Current:				
Pupil Services	59,456	-	-	59,456
Plant Services	-	-	5,246	5,246
Capital Outlay	-	-	5,813	5,813
Total Expenditures	<u>59,456</u>	<u>-</u>	<u>11,059</u>	<u>70,515</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,016)</u>	<u>16</u>	<u>18,773</u>	<u>(6,227)</u>
Other Financing Sources (Uses):				
Transfers In	24,600	-	-	24,600
Other Sources	-	8,638	-	8,638
Total Other Financing Sources (Uses)	<u>24,600</u>	<u>8,638</u>	<u>-</u>	<u>33,238</u>
Net Change in Fund Balance	(416)	8,654	18,773	27,011
Fund Balance, July 1	4,974	-	184,708	189,682
Fund Balance, June 30	<u>\$ 4,558</u>	<u>\$ 8,654</u>	<u>\$ 203,481</u>	<u>\$ 216,693</u>

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT C-3

CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 19,716	\$ 21,727	\$ 2,011
Other State Revenue	2,514	2,514	-
Other Local Revenue	10,199	10,199	-
Total Revenues	<u>32,429</u>	<u>34,440</u>	<u>2,011</u>
Expenditures:			
Current:			
Classified Salaries	20,518	20,518	-
Employee Benefits	16,724	16,724	-
Books And Supplies	18,170	20,181	(2,011)
Services And Other Operating Expenditures	2,033	2,033	-
Total Expenditures	<u>57,445</u>	<u>59,456</u>	<u>(2,011)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,016)</u>	<u>(25,016)</u>	-
Other Financing Sources (Uses):			
Transfers In	24,600	24,600	-
Total Other Financing Sources (Uses)	<u>24,600</u>	<u>24,600</u>	-
Net Change in Fund Balance	(416)	(416)	-
Fund Balance, July 1	4,974	4,974	-
Fund Balance, June 30	<u>\$ 4,558</u>	<u>\$ 4,558</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 BOND INTEREST AND REDEMPTION FUND
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-4

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 16	\$ 16	\$ -
Total Revenues	<u>16</u>	<u>16</u>	<u>-</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16</u>	<u>16</u>	<u>-</u>
Other Financing Sources (Uses):			
Other Sources	8,638	8,638	-
Total Other Financing Sources (Uses)	<u>8,638</u>	<u>8,638</u>	<u>-</u>
Net Change in Fund Balance	8,654	8,654	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ 8,654</u>	<u>\$ 8,654</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 30,693	\$ 164,281	\$ 194,974
Accounts Receivable	8,507	-	8,507
Total Assets	<u>39,200</u>	<u>164,281</u>	<u>203,481</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Restricted Fund Balances	\$ 39,200	\$ 164,281	\$ 203,481
Total Fund Balance	<u>39,200</u>	<u>164,281</u>	<u>203,481</u>
Total Liabilities and Fund Balances	<u>\$ 39,200</u>	<u>\$ 164,281</u>	<u>\$ 203,481</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 26,182	\$ 3,650	\$ 29,832
Total Revenues	<u>26,182</u>	<u>3,650</u>	<u>29,832</u>
Expenditures:			
Current:			
Plant Services	-	5,246	5,246
Capital Outlay	-	5,813	5,813
Total Expenditures	<u>-</u>	<u>11,059</u>	<u>11,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,182</u>	<u>(7,409)</u>	<u>18,773</u>
Net Change in Fund Balance	26,182	(7,409)	18,773
Fund Balance, July 1	13,018	171,690	184,708
Fund Balance, June 30	<u>\$ 39,200</u>	<u>\$ 164,281</u>	<u>\$ 203,481</u>

THREE RIVERS UNION SCHOOL DISTRICT

EXHIBIT C-7

BUILDING FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 20,085	\$ 20,085	\$ -
Total Revenues	<u>20,085</u>	<u>20,085</u>	<u>-</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	165,601	165,601	-
Capital Outlay	190,083	190,083	-
Total Expenditures	<u>355,684</u>	<u>355,684</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(335,599)</u>	<u>(335,599)</u>	<u>-</u>
Other Financing Sources (Uses):			
Other Sources	2,265,601	2,265,601	-
Total Other Financing Sources (Uses)	<u>2,265,601</u>	<u>2,265,601</u>	<u>-</u>
Net Change in Fund Balance	1,930,002	1,930,002	-
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ 1,930,002</u>	<u>\$ 1,930,002</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 CAPITAL FACILITIES FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-8

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 26,182	\$ 26,182	\$ -
Total Revenues	<u>26,182</u>	<u>26,182</u>	<u>-</u>
Expenditures:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,182</u>	<u>26,182</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	26,182	26,182	-
Fund Balance, July 1	13,018	13,018	-
Fund Balance, June 30	<u>\$ 39,200</u>	<u>\$ 39,200</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COUNTY SCHOOL FACILITIES FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT C-9

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	\$ 3,650	\$ 3,650	\$ -
Total Revenues	<u>3,650</u>	<u>3,650</u>	<u>-</u>
Expenditures:			
Current:			
Services And Other Operating Expenditures	5,246	5,246	-
Capital Outlay	5,813	5,813	-
Total Expenditures	<u>11,059</u>	<u>11,059</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,409)</u>	<u>(7,409)</u>	<u>-</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(7,409)	(7,409)	-
Fund Balance, July 1	171,690	171,690	-
Fund Balance, June 30	<u>\$ 164,281</u>	<u>\$ 164,281</u>	<u>\$ -</u>

THREE RIVERS UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2019

EXHIBIT C-10

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
ELEMENTARY STUDENT ACTIVITIES				
ASSETS				
Cash and investments	\$ 15,846	\$ 51,868	\$ 49,685	\$ 18,029
Total Assets	<u>\$ 15,846</u>	<u>\$ 51,868</u>	<u>\$ 49,685</u>	<u>\$ 18,029</u>
LIABILITIES				
Due to student groups	\$ 15,846	\$ 51,868	\$ 49,685	\$ 18,029
Total Liabilities	<u>\$ 15,846</u>	<u>\$ 51,868</u>	<u>\$ 49,685</u>	<u>\$ 18,029</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

THREE RIVERS UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2019

The Three Rivers School District was established in 1870, and consolidated into the Three Rivers Union School District in 1927. The District is comprised of an area of approximately 712 square miles located in Tulare County. There were no major changes in the boundaries, organization or operation of the school district during the fiscal year under audit. The District currently operates one elementary school with classes from kindergarten through eighth grade.

The Board of Trustees is comprised of the following members who serve four year terms:

Governing Board		
Name	Office	Term Expiration
Sue Winters	President	2022
Jason Hawes	Clerk	2020
Mark Frick	Member	2020
Anne Pfaff	Member	2022
Peter Mestaz	Member	2022

Administration

Susan Sherwood
Superintendent/Principal

Lynda LeFave
Business Manager

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2019

TABLE D-1

	<u>Second Period</u>	<u>Annual</u>
TK/K-3: Regular ADA	46.75	47.26
Grades 4-6: Regular ADA	42.66	42.71
Grades 7 and 8: Regular ADA	36.22	35.96
ADA Totals	<u>125.63</u>	<u>125.93</u>

There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

THREE RIVERS UNION SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Transitional Kindergarten	36,000	N/A	37,635	180	N/A	Complied
Kindergarten	36,000	N/A	37,635	180	N/A	Complied
Grade 1	50,400	N/A	57,970	180	N/A	Complied
Grade 2	50,400	N/A	58,870	180	N/A	Complied
Grade 3	50,400	N/A	61,460	180	N/A	Complied
Grade 4	54,000	N/A	58,870	180	N/A	Complied
Grade 5	54,000	N/A	58,870	180	N/A	Complied
Grade 6	54,000	N/A	58,925	180	N/A	Complied
Grade 7	54,000	N/A	60,670	180	N/A	Complied
Grade 8	54,000	N/A	60,725	180	N/A	Complied

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

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

THREE RIVERS UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (see note 1)	2019	2018	2017
Revenues and other financial sources	\$ 1,308,938	\$ 1,538,307	\$ 1,531,397	\$ 1,287,054
Expenditures	1,367,314	1,341,752	1,266,014	1,531,402
Other uses and transfers out	26,000	24,600	23,005	18,779
Total outgo	1,393,314	1,366,352	1,289,019	1,550,181
Change in fund balance (deficit)	(84,376)	171,955	242,378	(263,127)
Ending fund balance	\$ 1,115,547	\$ 1,199,923	\$ 1,027,968	\$ 785,590
Available reserves (see note 2)	\$ 837,380	\$ 1,114,400	\$ 752,986	\$ 785,590
Available reserves as a percentage of total outgo	60.1%	81.6%	58.4%	50.7%
Total long-term debt	\$ 3,287,503	\$ 3,314,757	\$ 1,235,185	\$ 1,058,137
Average daily attendance at P-2	126	126	138	135

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

The fund balance of the general fund has increased by \$414,333 (52.7%) over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$84,376 (7.0%). For a district of this size, the State recommends available reserves of at least 5% of total general fund expenditures, transfers out and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years, and projects a deficit during the 2019-2020 fiscal year. Total long-term debt has increased by \$2,256,620 over the past two years.

Average daily attendance has decreased by 9 over the past two years. During fiscal year 2019-2020, no change in average daily attendance is anticipated.

NOTES:

- 1 The budget for 2020 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

THREE RIVERS UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

TABLE D-4

	General Fund
June 30, 2019, annual financial and budget report fund balances	\$ <u>987,514</u>
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable overstatement - capital outlay	<u>212,409</u>
Net adjustments and reclassifications	<u>212,409</u>
June 30, 2019, audited financial statement fund balances	\$ <u><u>1,199,923</u></u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

THREE RIVERS UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2019

TABLE D-5

No charter schools are chartered by Three Rivers Union School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

Subrecipients
The District did not provide any awards to subrecipients.

De Minimis Cost Rate
The District did not elect to use the 10% de minimis cost rate.

Excess Sick Leave
The District did not authorize or accrue any excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5 for the District's employees who are members of the California State Teachers' Retirement System (CalSTRS).

Other Independent Auditor's Reports

Linger, Peterson & Shrum
Certified Public Accountants
575 E. Locust Ave., Suite 308
Fresno, California 93720-2928

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Three Rivers Union School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Three Rivers Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Three Rivers Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Three Rivers Union School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Three Rivers Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Linger, Peterson & Shrum

Linger, Peterson & Shrum
Fresno, California
December 13, 2019

Linger, Peterson & Shrum
Certified Public Accountants
575 East Locust Ave., Suite 308
Fresno, California 93720-2928

Independent Auditor's Report on State Compliance

Board of Trustees
Three Rivers Union School District
Three Rivers, California 93271

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements

Procedures in
Audit Guide
Performed?

LOCAL EDUCATION AGENCIES

OTHER THAN CHARTER SCHOOLS:

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A

**SCHOOL DISTRICTS, COUNTY OFFICES OF
EDUCATION, AND CHARTER SCHOOLS:**

California Clean Energy Jobs Act	No
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study.....	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform procedures for California Clean Energy Job Act as the District did not have any expenditures during the current fiscal year.

Opinion on State Compliance

In our opinion, Three Rivers Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Linger, Peterson & Shrum

Fresno, California
December 13, 2019

Findings and Recommendations Section

THREE RIVERS UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-------------------------------------------

The District had less than \$750,000 in federal expenditures for the year ended June 30, 2019.

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? N/A Yes No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? Yes No

Type of auditor's report issued on compliance for state programs: Unmodified

THREE RIVERS UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

B. Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of "Government Auditing Standards."

There were no Financial Statement findings or questioned costs.

C. Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no Federal award findings or questioned costs.

D. State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with State program rules and regulations.

There were no State award findings or questioned costs.

THREE RIVERS UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year findings or questioned costs.		

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT TULARE COUNTY

The following information about Tulare County (the “**County**”) is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the County, the State of California (the “**State**”) or any of its political subdivisions (other than the District), and neither the County, the State or any of its political subdivisions (other than the District) is liable therefor.

The County. Founded in 1852, the County is located in California's San Joaquin Valley, a large agriculturally rich basin that runs through the center of the State. The County is the second top agricultural producing county in the nation. It is surrounded by Fresno County to the north, Inyo County to the east, Kern County to the south and Kings County to the west. Almost half the entire county area is devoted to national parks and forests, including the famous Sequoia and Kings Canyon National Parks, Inyo and Sequoia National Forests. These natural resources provide year-round recreational opportunities for hiking, fishing, skiing and camping.

Population

The following table lists population estimates for the County and the other major cities in the County as of January 1 each year for the last five calendar years.

COUNTY OF TULARE Population Estimates Calendar Years 2016 through 2020

	2016	2017	2018	2019	2020
Dinuba	24,660	24,883	25,229	25,689	25,994
Exeter	10,836	10,880	10,967	11,009	11,030
Farmersville	11,145	11,247	11,360	11,396	11,399
Lindsay	12,758	12,796	12,873	13,153	13,154
Porterville	58,720	58,680	59,475	59,490	59,655
Tulare	62,856	63,868	65,032	66,457	67,834
Visalia	132,397	133,872	135,892	137,696	138,649
Woodlake	7,595	7,603	7,620	7,691	7,773
Balance of County	144,577	144,906	144,467	144,007	144,489
Total County	465,544	468,735	472,915	476,588	479,977

Source: California Department of Finance estimates.

Employment and Industry

The District is included in the Visalia-Porterville Metropolitan Statistical Area (“**MSA**”). The unemployment rate in the County was 19.0% in April 2020, up from a revised 14.7% in March 2020, and above the year-ago estimate of 9.9%. This compares with an unadjusted unemployment rate of 16.1% for California and 14.4% for the nation during the same period.

The following table shows civilian labor force and wage and salary employment data for the Visalia-Porterville MSA, which is coterminous with Tulare County, for the past five calendar years. These figures are area-wide statistics and may not necessarily accurately reflect employment trends in Tulare.

VISALIA-PORTERVILLE METROPOLITAN STATISTICAL AREA Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	202,200	203,400	204,800	204,600	204,000
Employment	178,700	180,700	183,500	184,900	184,400
Unemployment	23,500	22,700	21,400	19,600	19,600
Unemployment Rate	11.6%	11.2%	10.4%	9.6%	9.6%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	39,100	38,800	38,700	38,800	38,400
Mining, Logging and Construction	4,900	5,300	5,700	6,100	6,300
Manufacturing	12,300	12,800	12,800	13,000	12,800
Wholesale Trade	3,900	4,100	4,200	4,300	4,400
Retail Trade	15,900	16,200	16,200	16,300	16,200
Trans., Warehousing and Utilities	6,900	6,900	7,300	7,400	7,200
Information	1,000	1,000	900	900	900
Finance Activities	4,000	4,100	4,100	4,100	4,000
Professional and Business Services	10,900	11,100	12,000	11,000	11,100
Educational and Health Services	13,800	14,400	15,500	16,100	17,100
Leisure and Hospitality	11,100	11,500	11,500	11,800	12,100
Other Services	3,400	3,500	3,500	3,500	3,500
Federal Government	1,000	1,000	1,000	1,100	1,100
State Government	1,700	1,800	1,800	1,700	1,700
<u>Local Government</u>	<u>27,500</u>	<u>28,500</u>	<u>29,000</u>	<u>29,500</u>	<u>30,300</u>
Total, All Industries ⁽³⁾	157,600	160,900	164,100	165,300	167,100

(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.*

Largest Employers

The table below lists the largest employers in the County as of June 2020, listed alphabetically.

TULARE COUNTY Major Employers June 2020

Employer Name	Location	Industry
American Inc	Visalia	Construction Companies
College of the Sequoias	Visalia	Junior-Community College-Tech Institutes
Eagle Mountain Casino	Porterville	Casinos
Family Tree Farms	Reedley	Farms
Haagen-Dazs Shop	Tulare	Ice Cream Parlors
Jostens	Visalia	Graduation Supplies & Services
KINGS Canyon National Park	Kings Cyn Nat Pk	Government Offices-Us
Land O'Lakes Indl Cheese	Tulare	Cheese Processors (mfrs)
Latino Farm Labor Svc	Visalia	Contractors
Monrovia Nursery Co	Woodlake	Nurseries-Plants Trees & Etc-Wholesale
Porterville Developmental Ctr	Porterville	Hospitals
Ruiz Food Products Inc	Dinuba	Mexican Food Products-Manufacturers
Saputo Cheese USA Inc	Tulare	Cheese Processors (mfrs)
Sierra View Medical Ctr	Porterville	Hospitals
Tulare County Child Care Prgm	Visalia	Child Care Service
Tulare County Lake Patrol	Visalia	Government Offices-County
Tulare County Resource Mgmt	Visalia	Government Offices-County
Tulare County Sheriff	Visalia	Government Offices-County
Tulare High School District	Tulare	School Districts
Tulare Local Healthcare Dist	Tulare	Health Care Management
US Cotton Classing Office	Visalia	Government Offices-Us
Valley Labor Svc	Dinuba	Labor Contractors
Visalia Public Works Admin	Visalia	Government Offices-City/Village & Twp
Walmart Distribution Ctr	Porterville	Distribution Centers (whls)
Wawona Packing Co	Cutler	Fruits & Vegetables-Growers & Shippers

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

Effective Buying Income

Effective buying income ("EBI") is designated by Sales and Marketing Management Magazine as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor 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, personal 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, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis.

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

**COUNTY OF TULARE;
STATE OF CALIFORNIA; UNITED STATES OF AMERICA
Effective Buying Income
As of January 1, 2016 through 2020**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	County of Tulare	\$6,387,143	\$36,155
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	County of Tulare	\$7,199,514	\$40,423
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	County of Tulare	\$7,393,927	\$41,277
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	County of Tulare	\$7,753,456	\$43,691
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	County of Tulare	\$8,272,743	\$45,271
	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

Total taxable sales during calendar year 2019 in the County were reported to be \$7,935,857,490, a 6.60% increase from the total taxable sales of \$7,444,728,405 reported during calendar year 2018.

COUNTY OF TULARE Taxable Retail Sales Number of Permits and Valuation of Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	3,071	\$3,998,589	9,284	\$6,275,434
2016	6,124	4,377,472	9,232	6,688,260
2017	6,005	4,810,563	9,081	7,105,732
2018	5,828	5,069,186	9,151	7,444,728
2019	5,985	5,322,674	9,524	7,935,857

(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

Construction activity in the County for the past five years for which data is available is shown in the following tables.

TULARE COUNTY Total Building Permit Valuations Calendar Years 2014 through 2018 (valuations in thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$177,971.7	\$242,048.5	\$435,293.6	\$246,860.6	\$253,174.2
New Multi-family	23,630.4	14,041.5	13,595.9	30,428.9	36,987.8
Res. Alterations/Additions	14,034.2	14,690.6	19,569.3	14,274.9	27,136.5
Total Residential	215,636.2	270,780.6	468,458.8	291,564.4	317,298.5
New Commercial	18,952.2	30,008.4	137,763.5	50,633.3	64,998.8
New Industrial	0.0	892.0	9,571.2	4,528.3	5,639.5
New Other	43,259.7	71,771.9	125,445.8	43,334.0	57,187.4
Com. Alterations/Additions	63,246.8	46,290.8	31,746.2	59,058.3	61,637.4
Total Nonresidential	125,458.7	148,963.1	304,526.7	157,553.9	189,463.1
<u>New Dwelling Units</u>					
Single Family	847	1,129	1,159	1,136	1,173
Multiple Family	<u>296</u>	<u>132</u>	<u>156</u>	<u>220</u>	<u>347</u>
TOTAL	1,143	1,271	1,315	1,356	1,520

Source: Construction Industry Research Board, Building Permit Summary.

Transportation Systems

Situated on Highway 99, Tulare County offers excellent transportation access routes throughout California and the Western United States. Many communities in the County offer airports for corporate service. Air service is available approximately 45 minutes north at Fresno Yosemite International Airport. San Francisco International Airport is about 3-1/2 hours driving time away.

Union-Southern Pacific, Burlington Northern-Santa Fe Railroads are the San Joaquin Valley Rail companies serve Tulare County with extensive spur track, piggyback service, reciprocal switching, and refrigerated shipping.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

_____, 2020

Board of Trustees
Three Rivers Union School District
41932 Sierra Drive
Three Rivers, California 93271

OPINION: \$_____ Three Rivers Union School District (Tulare County, California) General Obligation Bonds, Election of 2018, Series B

Members of the Board of Trustees:

We have acted as bond counsel to the Three Rivers Union School District (the "District") in connection with the issuance by the District of \$_____ principal amount of Three Rivers Union School District (Tulare County, California) General Obligation Bonds, Election of 2018, Series B, dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on May 6, 2020 (the "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 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 duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board 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 Tulare, respectively, are 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 relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds, 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,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
THREE RIVERS UNION SCHOOL DISTRICT
(Tulare County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Three Rivers Union School District (the “**District**”) in connection with the execution and delivery of the captioned bonds (the “**Bonds**”). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on May 6, 2020 (the “**Resolution**”). Wilmington Trust, National Association is initially acting as paying agent for the Bonds (the “**Paying Agent**”).

The District hereby covenants and agrees as follows:

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

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

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently being March 31 based on a fiscal year ending June 30).

“*Dissemination Agent*” means, initially, Isom Advisors, a Division of Urban Futures, Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

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

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

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Paying Agent*” means Wilmington Trust, National Association, Costa Mesa, California, or any successor thereto.

“*Participating Underwriter*” means O’Connor & Company Securities, Inc., the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing 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 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; 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.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year or, if available at the time of the filing of the Annual Report for the current fiscal year, which shall include:

- (i) adopted budget or a summary thereof;
- (ii) assessed valuation of taxable properties in the District;
- (iii) the top twenty property owners in the District based on assessed valuation; and
- (iv) secured charges and delinquencies, unless the County of Tulare joins the Teeter Plan with respect to the District's general obligation bonds.

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

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

Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional 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, 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.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a

receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally

recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2020

THREE RIVERS UNION SCHOOL DISTRICT

By: _____
Name: _____
Title: _____

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

**ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.**

By: _____
Name: _____
Title: _____

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX G
TULARE COUNTY INVESTMENT POLICY
AND INVESTMENT REPORT

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TULARE COUNTY

Annual Investment Policy of the Pooled Investment Fund

FISCAL YEAR 2018/2019

Cass Cook
Auditor-Controller / Treasurer-Tax Collector

<http://www.tularecounty.ca.gov/treasurertaxcollector/index.cfm/treasurer/documents/>

PREFACE

This policy has been researched, prepared, and written under the direction of the Auditor-Controller/Treasurer-Tax Collector and the Chief Deputy Treasurer-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, it is viewed that these restatements are integral to the purpose and flow of this policy.

The following statements are intended to ensure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors or losses will not arise in the course of administering the investment of idle funds.

Among the obstacles and deterrents that may affect the achievement of the goals and objectives of the portfolio include but are not limited to the following: unforeseen national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, errors in data or advice used to make decisions, as well as any other unforeseen aberrations or event that may have an effect on local, national or international financial markets, economies or politics, which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

Approval Schedule

- ! County Treasury Oversight Committee
Approved – May 3, 2018
- ! Tulare County Board of Supervisors
Approved – June 26, 2018

!

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1.0 POLICY

The purpose of the Investment Policy is to facilitate the accomplishment of the County Treasurer's goals and objectives with regard to the investment of idle funds, to provide a framework to carry out the business of administering and investing the idle funds of the County Treasury, and to improve communications between everyone involved and interested in the process of investing and administering the idle funds of the County Treasury.

1.1 MAINTENANCE OF PUBLIC TRUST

The Treasurer has been entrusted with the safekeeping of public monies received from public sources. The County Treasurer shall exercise a high degree of professionalism while managing the investment portfolio, to ensure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

1.2 PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of public record. All districts whose funds are deposited with the Treasurer or any member of the public may obtain a copy of the CAFR, the Treasury Annual Investment Policy, and monthly and quarterly reports including a complete listing of our holdings by visiting the County's web site under the Treasurer department..

2.0 SCOPE

The following investment policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to the County of Tulare, or other affiliated public agency assets that reside outside of the County Treasury Pool. The County's Comprehensive Annual Financial Report (CAFR) identifies the fund types incorporated in the County's Investment Pool to include:

1. General Fund
2. Special Revenue Funds
3. Enterprise Funds
4. Internal Service Funds
5. Fiduciary Funds
6. Any new funds created by the Board of Supervisors

3.0 PRUDENCE

The administration of idle funds of the Tulare County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code §27000.3, §53600.3 and §53646:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the county treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and other depositors.”

Prudence shall be applied in the context of portfolio management. Investment officers and their advisors acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for individual security’s credit risk or market price changes; provided that deviations from expectation are reported to the Treasurer in a timely fashion and appropriate action is taken to control adverse developments.

4.0 LEGAL COMPLIANCE

All investments shall be made in accordance with the County Treasurer’s Investment Policy, California Government Code §27000 et. seq., and §53600 et. seq., and any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds.

5.0 PRIMARY GOALS

The Treasurer’s primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §27000.5 and §53600.5:

1. **Safety** – Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. This objective will be obtained through diversification and investment in securities of high quality to minimize credit risk and loss of principal.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.
3. **Yield** – The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.

6.0 DELEGATION OF AUTHORITY

The authority to invest /reinvest is delegated for a one year period by the Board of Supervisors to the County Treasurer until revoked or the authority expires in accordance with California Government Code §27000.1, §53607. , §53601 §53635 and, the Tulare County Ordinance 1-03-2061, the County Treasurer shall be responsible for the investment of the County's funds (including the purchase, sale, or exchange of securities), the monitoring and reviewing of all investments for consistency under this investment policy.

The Treasurer shall have the responsibility to execute investment transactions on a day to day basis and shall establish a system of internal controls to regulate the investment activities. When circumstances warrant, the responsibility to execute investment transactions may be delegated to the Chief Deputy Treasurer/Tax Collector, Chief Accountant-Treasury and/or the Investment Officer. The County may engage the services of one or more external investment managers to assist in the management of the Investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Each external manager assigned any portion of the portfolio must individually comply with the investment parameters established by this policy. Such managers must be registered under the Investment Advisors Act of 1940.

NO PERSON MAY ENGAGE IN AN INVESTMENT TRANSACTION EXCEPT AS PROVIDED UNDER THE LIMITS OF THIS POLICY AND THE PROCEDURES ESTABLISHED BY THE AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR.

7.0 CONFLICT OF INTEREST!

!

The Auditor-Controller/Treasurer-Tax Collector, the Treasury Oversight Committee, and Treasury staff involved with the investment process shall not engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with his/her duties; or which may reflect unfavorably on the County, the appointing authority, or on fellow employees.

California Government Code §27133(d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee and shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy establishes a limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year that is consistent with the Fair Political Practices Commission. This limit may be in addition to the limits set by a committee member's own agency or by state law.

As part of the Treasury Oversight Committee audit, annual compliance confirmation are sent to each committee member. Each member is requested to confirm they are or are not in compliance with Government Code §27132.1 and §27132.2 which states;

Government Code §27132.1 a member may not be employed by an entity that has contributed to a re-election campaign of the local treasurer or a member of the legislative body of the local agency in the previous three years; Government Code §27132.2 a member may not directly or indirectly raise money for the county treasurer or a member of the board of supervisors while a member of the committee.

8.0 BROKER/DEALER AND DEPOSITORY INSTITUTION RELATIONSHIPS

8.1 APPROVED LIST OF BROKER/DEALER INSTITUTIONS

The County Treasurer shall approve and maintain a list of broker/dealers and direct issuers authorized to provide investment services to the County pursuant to California Government Code §53601.5. All investments must be made with institutions that have been approved by the County Treasurer prior to investing. The County's external investment advisors may use their own list of approved broker/dealers and financial institutions for investment purposes. The advisor shall submit the list of approved broker/dealers to the County on a quarterly basis for review. The criteria for approval is described in a separate *Investment Guidelines and Procedures Manual* maintained by the Treasurer's Office.

8.2 APPROVED LIST OF DEPOSITORY INSTITUTIONS

The County Treasurer shall approve and maintain a list of depository institutions authorized to purchase Certificates of Deposit and Time Deposits. This list will be reviewed on an annual basis by the County Treasurer. An institution must meet the following criteria to be considered by the County Treasurer for deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy:

- 1) The institution must be located in California.
- 2) The institution must have current financial information, a signed contract and waiver on file with the agency.
- 3) The institution must maintain a net worth to asset ratio of at least 3% and have a positive earnings record.
- 4) The institution must be at least 3 years old.
- 5) For collateralized investments, the institution must have at least \$100 million in assets and collateralize their TCD's in accordance with §53651 and §53652 of the California Government Code.
- 6) The institution shall have received an overall rating of not less than "satisfactory" in its most recent Community Reinvestment Act evaluation.

9.0 TERMS FOR FUNDS INVESTED WITH THE POOL

California Government Code §27133(h) and §27136 requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the market place, the cash flow projections as well as the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

9.1 FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance apportioned on a quarterly basis.

The Treasury Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of pool participants. The County Treasurer will honor all requests to withdraw funds for normal operations that are approved by the County Auditor at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements must be followed to allow for adjustments to the liquidity position of the pool.

- ◆ Withdrawals of up to \$ 5,000,000.....24 hours
- ◆ Withdrawals of up to \$10,000,000.....48 hours
- ◆ Withdrawals of up to \$10,000,001 and above72 hours

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should specifically state the nature of the funds the legislative body wishes to invest, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pools participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive as to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge

that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the California Government Code §27133(h) and §27136 in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

9.2 MONEY VOLUNTARILY INVESTED WITH THE POOL

Pursuant to Government Code §53684, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the investment Pool, may deposit and withdraw voluntarily invested funds. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to prior to the funds being accepted into the Pool, and may not be withdrawn at any time without a minimum of 30 days notice of "intent to withdraw".

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of the following remedies:

1. Restrict the percentage of funds that may be withdrawn in any given month;
2. Restrict the rate at which the funds may be withdrawn;
3. Require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

9.3 INCOME APPORTIONMENT

Pursuant to Government Code §27013 and §53684.b, the County Treasurer calculates and records all interest earned, received, and accrued for the Investment Pool on a daily basis. The apportionment of investment earnings to the various participants in the Investment Pool is done at the end of each calendar quarter. The apportioned amount is computed as follows:

$$\text{Participating Share of Pool Income} = \frac{(\text{Fund's Avg. Daily Equity} \times \text{Pool Total Income})}{\text{Total Pool Average Daily Equity}}$$

10.0 AUTHORIZED INVESTMENT INSTRUMENTS

The following defines in detail the parameters of each approved investment type. Any instrument not expressly permitted is prohibited. Specific limitations are provided on the maximum allowable percentage per investment category and further limitations by issuer within each investment category. With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Where there is a percentage limitation for a particular category of investment, that percentage is only applicable at the time of purchase. If at the end of any quarter, any percentage in any restricted security is higher than the maximum allowed by category at time of purchase, the Treasurer shall take action within 90 days, to adjust the portfolio holdings so that the percentages are brought within the percentage limits.

- A. Bonds issued by the County of Tulare, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the County of Tulare or by a department, board, agency, or authority of the County of Tulare.
- B. United States Treasury bills, notes, bonds or certificates of indebtedness or those for which faith and credit of the United States are pledged for principal and interest.
- C. Registered treasury notes or bonds of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to the State of California. No more than 30% of the total portfolio may be invested in a combination of securities authorized by this paragraph and paragraph D, below.
- D. Bonds, notes or warrants of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency. No more than 30% of

the total portfolio may be invested in a combination of securities authorized by this paragraph and paragraph C, above.

- E. Federal agency or United States government - sponsored enterprise obligation, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government - sponsored enterprises, per California Government Code §53601. No more than 75% of the total portfolio may be invested in Agency Securities.
- F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, the short-term paper of which is rated in the highest category by a nationally recognized rating service. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the total portfolio which may be invested pursuant to this section.
- G. Commercial Paper. Commercial paper (excluding Rule 144A issues) of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
 - (1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars (\$500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.
 - (2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper shall not exceed 270 days maturity nor represent more than 5 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the County's total portfolio. (California Government Code §53635)

- H. Negotiable Certificates of Deposit (California Government Code §53601.(i)) issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or a federally-licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in a rating category of "A" or its equivalent or better by a nationally recognizing rating service. Purchases of negotiable certificates of deposit may not exceed 30 percent of the total portfolio which may be invested pursuant to this section. For the purpose of this section, negotiable certificates of deposit do not come within Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government code, except that the amount so invested shall be subject to the limitations of §53638.

- I. Authorized by California Government Code §53601 and/or §53635.
 - (1) Investment in Repurchase Agreements or Reverse Repurchase Agreements of any securities authorized by California Government Code §53601 & §53635.
 - (2) Investment in Repurchase Agreements may be made on any investment authorized in California Government Code §53601 and §53635 when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily fluctuation, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day. No more than 50% of the total portfolio may be invested in overnight repurchase agreements.
 - (3) Reverse Repurchase Agreements may be utilized only when the following conditions are met: The security to be sold on Reverse Repurchase Agreement has been owned and fully paid for by the County of Tulare for a minimum of 30 days prior to sale, and the total of all Reverse Repurchase Agreements on investments owned by the local agency does not exceed 20 percent of the base portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a Reverse Repurchase Agreement and the final maturity date of the same security.
 - (4) A Reverse Repurchase Agreement may not be entered into as a means of financing or paying for the security sold on a Reverse Repurchase Agreement, but may only be entered into in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of an obligation of Tulare County.
 - (5) Investments in Reverse Repurchase Agreements or similar investments in which the local agency sells securities prior to purchase, may only be made upon prior approval of the Board of Supervisors of the County of Tulare and are limited to no more than 20% of the total portfolio.
 - (6) (a) "Repurchase Agreement" means a purchase of securities by the agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the agency's pool by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book-entry delivery.

(b) "Securities", for the purpose of repurchase, means securities of the same issuer, description, issue date, and maturity.

(c) "Reverse Repurchase Agreement" means a sale of securities by the County Treasury pursuant to an agreement by which the agency will repurchase the

securities on or before a specified date, and includes other comparable agreements.

(d) The base value of the County Treasury Pools portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pools by all pool participants, excluding any amounts obtained through selling securities by way of Reverse Repurchase Agreements or other similar borrowing methods.

(e) The spread is the difference between the cost of funds obtained using the Reverse Repurchase agreement and the earnings obtained on the reinvestment of the funds.

- J. Medium-Term Notes with a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of Medium-Term Notes may not exceed 30 percent of the agency's total portfolio which may be invested.
- K. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment these companies shall either:
- (1) Attain the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.
 - (2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased, shall not include any commission that these companies may charge and shall not exceed 15 percent of the agency's total portfolio which may be invested pursuant to §53635 of the California Government Code.
- L. FDIC insured or collateralized savings accounts, market rate accounts, certificates of deposits and other bank deposits in a state or national bank, savings association or federal association, a state or a federal credit union located in California. Any financial institution accepting County funds for deposit must comply with the requirements of Government Code §53630 et seq., including collateralization of deposits. The County may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance. As provided by Government Code §53649, the County shall have a signed contract with each financial institution that has County funds on deposit.
- M. Deposits at a commercial bank, savings bank, savings and loan association, or credit union placed through a deposit placement service that comply with the requirements under Government Code §53601.8 and §53635.8. The full amount

of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by Federal Deposit Insurance.

- N. Local Agency Investment Fund (LAIF). The maximum balance that can be held in the fund is the maximum amount permitted by State Treasury policy.
- O. Managed Investment Pool's pursuant to California Government Code §53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code §6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
 - (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
 - (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.
 - (3) The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).
- P. Asset Backed Securities, Mortgage pass through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease backed certificates, consumer receivable pass-through certificates, or consumer receivable backed bonds, provided that such securities :
 - (1) Have a maximum remaining stated final maturity of five years.
 - (2) Be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized statistical-rating organization.
 - (3) Be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical-rating organization.
 - (4) Purchase of securities authorized by this subdivision may not exceed an accumulative total of 20 percent of the total portfolio. Non-Federal Agency issuers under this subsection are further limited to 10% of the portfolio.
 - (5) Purchase of securities authorized by this section is limited to the portion of the portfolio managed by an Investment Advisor on behalf of the County Treasurer.
- Q. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this

subdivision shall be rated in a rating category of “AA” or its equivalent or better by a nationally recognizing rating service and shall not exceed 30 percent of the total portfolio that may be invested pursuant to this section.

11.0 INELIGIBLE SECURITIES

1. Securities Lending
2. Inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.
3. A local agency shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited investments purchased prior to January 1, 1996 until their maturity dates.
4. Financial futures and options.

12.0 REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

The securities held by the Treasurer must be in compliance with Section 10 Authorized Investment Instruments at the time of purchase. Because some securities may not comply with Section 10 subsequent to the date of purchase, the Treasurer shall at least quarterly review the portfolio to identify those securities that do not comply. The Treasurer report to the Board of Supervisors and to its oversight committee, major and critical incidences of noncompliance identified through the review of the portfolio.

Due to the complexity of the various investment instruments available and uncertainty of market conditions the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections, subject to §1-03-2062 of the Tulare County Ordinance Code.

13.0 COMPETITIVE BIDDING

When executing a transaction, the County and its external investment advisors shall seek bids or offerings from at least three broker/dealers on the approved list.

14.0 SAFEKEEPING

As required by California Government Code §53601, §53608 and §53635 all investment instruments in a negotiable, bearer, registered, or non-registered format, shall be delivered to the County of Tulare’s custodial bank by using book entry or physical delivery. The “delivery vs. payment” purchase procedure shall be used. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. No securities will be held by the broker/dealer from whom they were purchased.

15.0 POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer ¹
U.S. Treasury Obligations (§53601(b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises (§53601(f))	75	100	5 Years	5 Years	100
Supranational Obligations (§53601(q))	30	30	5 Years	5 Years	10
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	10
Mortgage and Asset Backed Securities ((§53601(o))	20	20	5 Years	5 Years	10
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (§53601(i))	30	30	5 Years	5 Years	10
Repurchase Agreement (§53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (§53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (§53630 et seq.)	30	None	3 Years	None	25
Bank Deposits – through deposit placement service (§53601.8)	30	30	3 Years	None	25
Money Market Accounts (§53630 et seq.)	50	None	N/A	None	25
Commercial Paper (§53601(h) and (§53635(a))	40	40	270 Days	270 days	10
Money Market Funds (§53601(l))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 United States (§53601(d)(e))	30	100	5 Years	5 Years	10
Tulare County (§53601(a))	15	100	5 Years	5 Years	10
L.A.I.F. (§16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Managed Investment Pool pursuant to GC §53601(p)	50	None	N/A	N/A	N/A

¹ With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

16.0 MAXIMUM MATURITIES

No investment shall be made in any security with a maturity greater than five years, unless it is approved by the Board of Supervisors no less than three months prior to investment. Some investments are restricted to terms less than five years. These maturity limitations are described in this policy. The term "maturity" in this Policy is defined as an instrument's stated legal final redemption date. The dollar-weighted average maturity of the portfolio shall not exceed 3.5 years.

17.0 INTERNAL CONTROLS!

Pursuant California Government Code §27130 thru §27137, and the Tulare County Ordinance 1-05-1070 the Board of Supervisors, in consultation with the County Treasurer has created a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. The County of Tulare Treasury Oversight Committee shall annually review and monitor the Investment Policy and cause an annual audit to provide internal controls by assuring the Treasurer's compliance with the Investment Policy. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

In compliance with §27132 of the California Government Code, the County Treasurer Oversight Committee shall consist of the following:

- a) The County Auditor-Controller/Treasurer-Tax Collector
- b) A representative appointed by the Board of Supervisors or his/her designee
- c) The Superintendent of Schools or his designee
- d) A School District designee
- e) A Special District designee
- f) Two members of the public with expertise, or academic background in public finance.

18.0 PERFORMANCE MEASUREMENT

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury note. The investment performance measurement benchmarks for the Investment Managers/Advisors shall be stated on the quarterly report based on current contractual agreements. Additional indexes may be used and presented for comparison purposes only.

19.0 REPORTING

The Treasurer provides a quarterly Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee, within thirty (30) days following the end of the quarter covered by the report. The quarterly investment report contains, but is not limited to, the following investment information:

- A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;
- B. A description of any funds, investments that are under the management of contracted parties;
- C. The market value as of the date of the report, and the source of this valuation for any security within the Treasury or under management by contract;
- D. The weighted average maturity of investments within the Treasury;
- E. Purchase dates, book values, and current credit rating of issuers;
- F. Yield to maturity;
- G. Overall portfolio yield based on cost;
- H. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;
- I. A statement denoting the County's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

In addition to the Quarterly reports. The Treasury also provides a monthly summary Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee. The monthly investment reports contains, but is not limited to, the following investment information:

- A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;
- B. A description of any funds, investments that are under the management of contracted parties;
- C. The market value as of the date of the report, and the source of this valuation for any security within the Treasury or under management by contract;
- D. The weighted average maturity of investments within the Treasury;
- E. Purchase dates, book values, and market values;
- F. Yield to maturity;
- G. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

20.0 INVESTMENT POLICY ADOPTION

The Tulare County Treasurer's Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code §53646 and §27133 and shall remain in effect until the succeeding policy is adopted.

21.0 GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). The official annual report of the Tulare County Investment Pool. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical sections.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other

securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FEDERAL CREDIT AGENCIES. Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). A federal agency that insures bank deposits, currently up to \$250,000 per entity.

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL HOME LOAN BANKS (FHLB). Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA). FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC). Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM. The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIEMAE).—Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. GinnieMae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe GinnieMaes.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MASTER REPURCHASE AGREEMENT. A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO).

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

OFFER. The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS. Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO. Collection of securities held by an investor.

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

QUALIFIED PUBLIC DEPOSITORIES. A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REPURCHASE AGREEMENT (REPO). Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO). A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

SECONDARY MARKET. A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION (SEC). Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15(C)3-1: See Uniform Net Capital Rule.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include

inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

UNIFORM NET CAPITAL RULE. Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) **INCOME YIELD** is obtained by dividing the current dollar income by the current market price for the security. (b) **NET YIELD** or **YIELD TO MATURITY** is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**California Municipal
Treasurers Association**



Investment Policy Certification



Issued on 10/20/2017

County of Tulare Treasury Department

The California Municipal Treasurers Association certifies that the investment policy of the County of Tulare Treasury Department complies with the current State statutes governing the investment practices of local government entities located within the State of California.



President

Date

22.0 CMTA Certification

County of Tulare

221 S Mooney Blvd Room 103E
Visalia, California 93291-4593



Cass Cook, CFIP
Auditor-Controller/Treasurer-Tax Collector

Paul Sampietro, CPA - Assistant Treasurer-Tax Collector

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Fax: (559) 730-2532
www.tularecountytax.com

March 24, 2020

TREASURER'S MONTHLY INVESTMENT REPORT MONTH ENDING FEBRUARY 29, 2020

Honorable Board of Supervisors:

This report reflects the investment activity for the month ending February 29, 2020 of pooled funds on deposit with the Treasurer and is in compliance with California Government Code §27000, etc., §53600, etc., Tulare County Ordinance 1-03-2061 and the Treasurer's Statement of Investment Policy dated July 2019.

INVESTMENT GOALS – The first and primary goal is SAFETY and the preservation of capital. The second goal is the continual maintenance of LIQUIDITY. Tulare County has the ability to convert sufficient securities to cash to cover the cash flow of the County and all of its investment agencies to meet any contingency needs during the next six months. The third goal in order of importance is YIELD, or earning a reasonable rate of return representative of current market conditions and the present phase of the market cycle while remaining in compliance with all state laws and the Treasurer's written investment policy.

Attached is a statement containing summaries of the portfolio composition, credit ratings, maturity distribution, portfolio master summary and other information designed to give a better understanding of the investment activity that has occurred during the month ending February 29, 2020.

Respectfully submitted,



Cass Cook, CFIP
Auditor-Controller/Treasurer-Tax Collector

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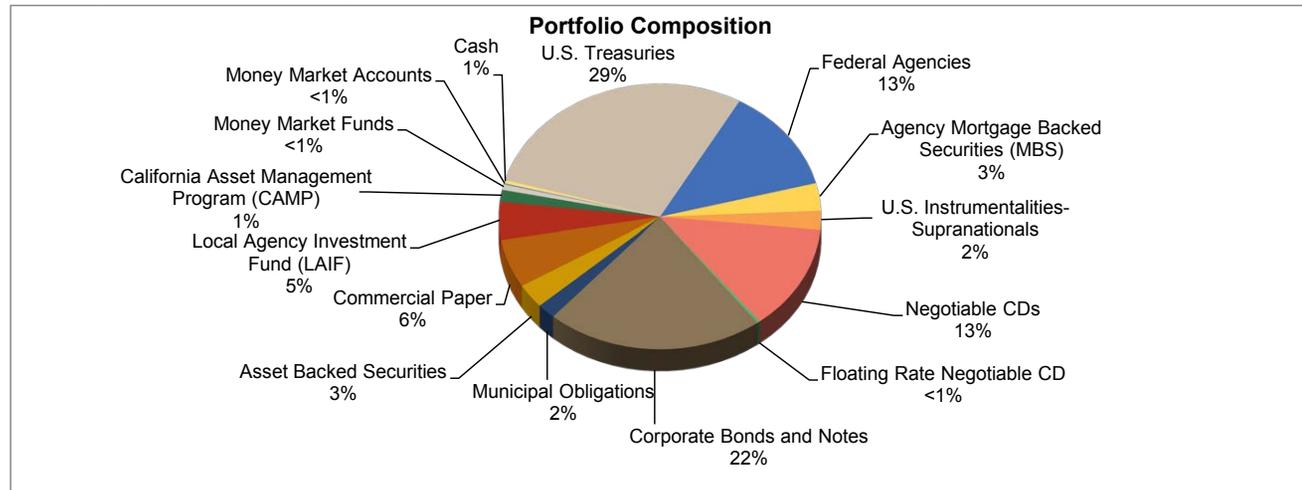
Tulare County Investment Report
February 29, 2020

A listing of Tulare County investments is shown below.

Portfolio Composition				
	Book Value	Market Value*	% of Portfolio**	Permitted by Policy
U.S. Treasuries	472,388,347	487,762,853	29%	100%
Federal Agencies	208,915,428	215,205,442	13%	75%
Agency Mortgage Backed Securities (MBS)	54,975,976	55,444,622	3%	75%
U.S. Instrumentalities-Supranationals	37,721,355	38,498,149	2%	30%
Negotiable CDs	210,189,014	210,898,275	13%	30%
Floating Rate Negotiable CD	4,730,000	4,732,176	<1%	30%
Corporate Bonds and Notes	358,985,983	366,338,256	22%	30%
Municipal Obligations	30,772,731	31,014,203	2%	30%
Asset Backed Securities	48,515,547	49,008,402	3%	20%
Commercial Paper	96,539,353	96,587,800	6%	40%
Local Agency Investment Fund (LAIF)	74,976,732	74,976,732	5%	\$75 million
California Asset Management Program (CAMP)	23,759,984	23,759,984	1%	50%
Money Market Funds	10,878,005	10,878,005	1%	15%
Money Market Accounts	2,384,255	2,384,255	<1%	50%
Cash	6,438,994	6,438,994	<1%	100%
Total	\$1,642,171,706	\$1,673,928,150	100%	

* Market Prices were provided by the Union Bank of California.

** Detail may not add to total due to rounding.



Tulare County Investment Report
February 29, 2020

The average weighted credit rating of Tulare County's portfolio is AA*.

Credit Ratings		
	Book Value	% of Portfolio
AAA	\$114,855,100	7%
A-1+/A-1 (Short-Term Rating)	\$281,298,446	17%
AA	\$830,825,746	51%
A	\$295,331,124	18%
BBB**	\$15,864,517	1%
Not Rated***	\$95,173,524	6%
Cash****	\$8,823,249	1%
Total	\$1,642,171,706	100%

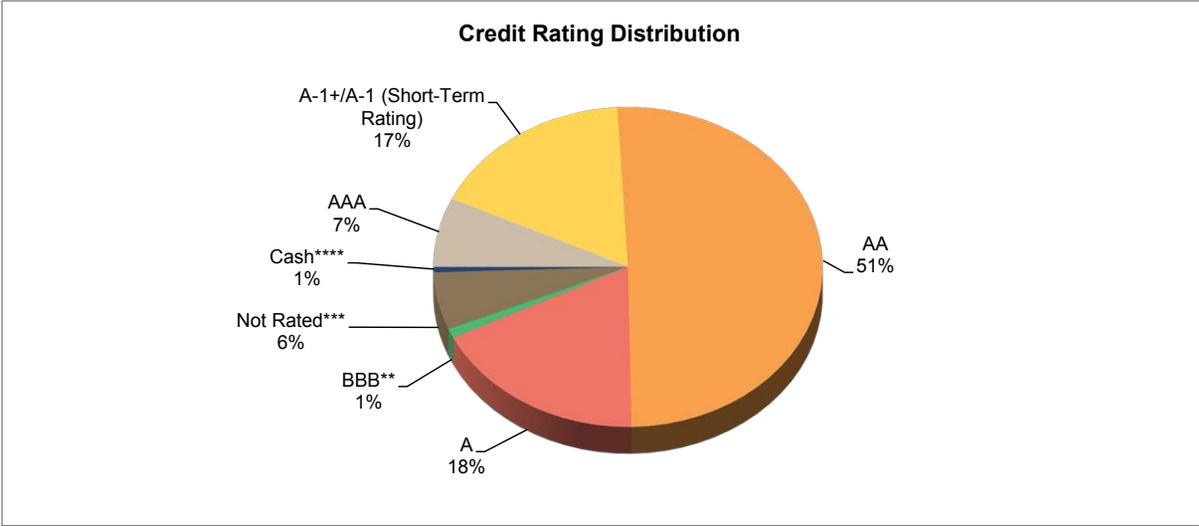
Ratings by Standard & Poor's (S&P). Includes all ratings in this category (e.g., A-, A, A+).

* Average weighted credit rating was calculated using S&P ratings. Cash/overnight securities were not included in the calculation.

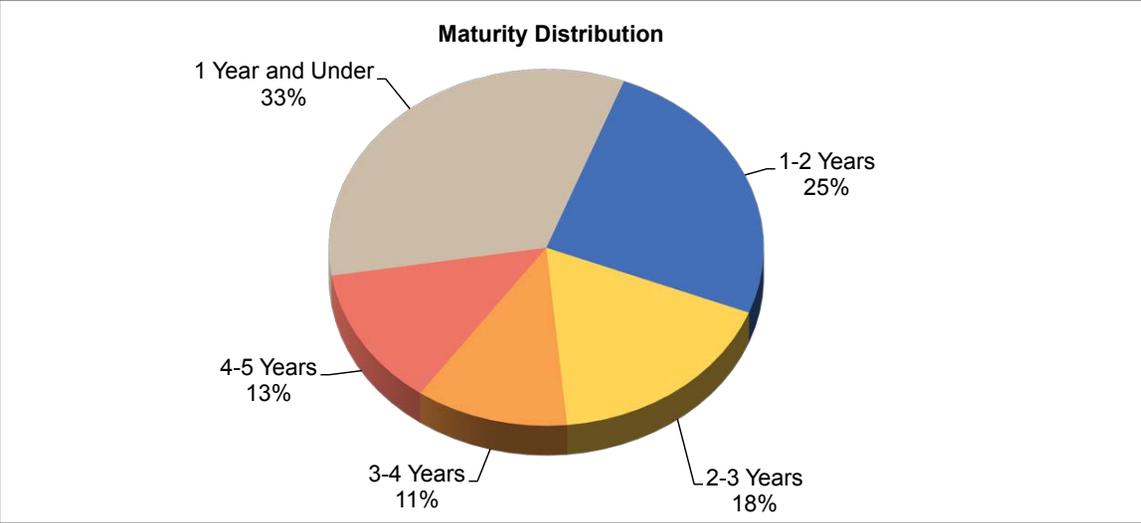
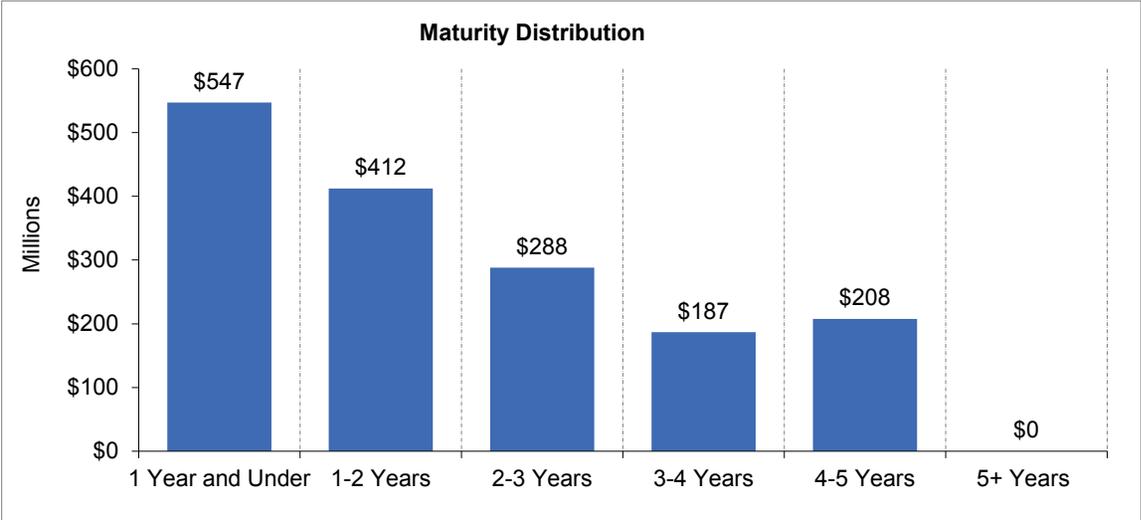
** Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase.

*** The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings of A- or the equivalent or better by at least one NRSRO.

**** Fully collateralized in accordance with California government code.



The portfolio has a high degree of liquidity.



* Maturity Distribution values represent Book Valuation and are rounded to the nearest million.

Tulare County Investment Report
February 29, 2020

Other Portfolio Characteristics

Average daily balance:	\$1,610,555,542
Weighted average number of days to maturity:	736 Days
Weighted average years to maturity:	2.02 Years
Effective rate of return:	2.71%



**Tulare County Treasurer
Portfolio Management
Portfolio Summary
February 29, 2020**

Tulare County
County Civic Center, Room 103E
Visalia, Visalia, Ca. 93291
(559)733-6575

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Cash	6,438,994.26	6,438,994.26	6,438,994.26	0.39	1	1	0.875	0.887
Money Market Accounts	2,384,254.64	2,384,254.64	2,384,254.64	0.15	1	1	2.121	2.150
Money Market Fund	10,878,005.20	10,878,005.20	10,878,005.20	0.66	1	1	1.430	1.450
Managed Investment Pools	98,736,716.82	98,736,716.82	98,736,716.82	6.01	1	1	1.868	1.894
Commercial Paper Disc. -Amortizing	97,000,000.00	96,587,800.00	96,539,352.77	5.88	163	98	1.792	1.817
Negotiable CD's	210,090,000.00	210,898,274.95	210,189,014.40	12.80	497	252	2.136	2.166
Negotiable CDs - Floating Rate	4,730,000.00	4,732,175.80	4,730,000.00	0.29	731	40	2.728	2.766
Treasury Securities - Coupon	451,115,000.00	467,846,753.25	452,492,471.54	27.55	1,656	1,237	1.975	2.003
Agency Issues - Fixed Coupon	198,950,000.00	205,251,542.05	198,967,361.14	12.12	1,511	890	2.042	2.071
Agencies - Mortgage Backed	53,840,201.00	55,444,622.33	54,975,976.10	3.35	1,273	938	1.505	1.526
Supranationals	37,945,000.00	38,498,148.80	37,721,355.38	2.30	1,211	547	2.224	2.255
Municipal Bonds	10,580,000.00	11,014,203.20	10,772,731.46	0.66	1,438	1,309	1.845	1.870
Corporate Notes & Bonds	358,324,000.00	368,338,256.13	358,985,983.30	21.86	1,136	665	2.395	2.429
Asset Backed	48,618,204.77	49,008,402.30	48,515,546.75	2.95	1,522	1,082	1.989	2.017
Promissory Notes	20,000,000.00	20,000,000.00	20,000,000.00	1.22	1,825	1,400	3.432	3.480
Agency Disc. -Amortizing	10,000,000.00	9,953,900.00	9,948,066.67	0.61	141	123	1.550	1.572
Treasury Discounts -Amortizing	20,000,000.00	19,916,100.00	19,895,875.68	1.21	148	126	1.511	1.532
Investments	1,639,630,376.69	1,673,928,149.73	1,642,171,706.11	100.00%	1,113	736	2.072	2.101

Total Earnings	February 29 Month Ending	Fiscal Year To Date
Current Year	3,474,094.64	24,261,804.43
Average Daily Balance	1,610,555,542.35	1,518,980,494.61
Effective Rate of Return	2.71%	2.39%



 Cass Cook, CFIP
 Auditor-Controller/Treasurer-Tax Collector

Reporting period 02/01/2020-02/29/2020

Run Date: 03/06/2020 - 14:36

Portfolio CNTY
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PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
February 29, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Cash												
SYS0002	0002	UNION BANK - CHECKING			5,625,144.25	5,625,144.25	5,625,144.25	1.000		1.014	1	
SYS0002B	0002B	UNION BANK - CHECKING			8,043.58	8,043.58	8,043.58	1.000		1.014	1	
SYS0002A	0002A	BANK OF THE SIERRA		07/01/2019	751,867.49	751,867.49	751,867.49			0.000	1	
SYS0001	0001	CASH IN VAULT		07/01/2019	53,938.94	53,938.94	53,938.94			0.000	1	
Subtotal and Average			8,650,453.72		6,438,994.26	6,438,994.26	6,438,994.26			0.887	1	
Money Market Accounts												
SYS5833	5833	SUNCREST BANK			2,384,254.64	2,384,254.64	2,384,254.64	2.150		2.150	1	
Subtotal and Average			2,384,254.64		2,384,254.64	2,384,254.64	2,384,254.64			2.150	1	
Managed Investment Pools												
SYS4339-A	4339-A	CALIFORNIA ASSET MANAGEMENT PR			23,759,984.42	23,759,984.42	23,759,984.42	1.750	AAA	1.750	1	
SYS9980	9980	LOCAL AGCY INVESTMENT FD			74,976,732.40	74,976,732.40	74,976,732.40	1.940		1.940	1	
Subtotal and Average			91,150,509.92		98,736,716.82	98,736,716.82	98,736,716.82			1.894	1	
Commercial Paper Disc. -Amortizing												
09659BE14	6019	BNP PARIBAS NY BRANCH		10/30/2019	5,000,000.00	4,986,600.00	4,984,326.39	1.850		1.925	61	05/01/2020
2254EAGM9	6014	CREDIT SUISSE NEW YORK		10/25/2019	5,000,000.00	4,969,450.00	4,963,711.11	1.840		1.919	142	07/21/2020
2254EAF6	6018	CREDIT SUISSE NEW YORK		10/29/2019	5,000,000.00	4,978,200.00	4,973,768.06	1.870		1.948	101	06/10/2020
02665JCC2	6017	AMERICAN HONDA FINANCE		10/29/2019	5,000,000.00	4,997,800.00	4,997,250.00	1.800		1.837	11	03/12/2020
4497W0EJ3	6058	ING (US) FUNDING LLC		12/20/2019	7,000,000.00	6,976,200.00	6,971,183.33	1.900		1.942	78	05/18/2020
62479LEB7	6045	MUFG BANK LTD/NY		12/11/2019	5,000,000.00	4,984,550.00	4,981,756.94	1.850		1.890	71	05/11/2020
62479LGD1	6074	MUFG BANK LTD/NY		02/14/2020	10,000,000.00	9,942,400.00	9,939,700.00	1.620		1.654	134	07/13/2020
63873JEK2	6032	NATIXIS NY		11/22/2019	5,000,000.00	4,982,800.00	4,979,481.94	1.870		1.914	79	05/19/2020
63873JE48	6036	NATIXIS NY		12/05/2019	10,000,000.00	9,972,200.00	9,966,933.33	1.860		1.901	64	05/04/2020
7426M2HA2	6077	PRIVATE EXPORT FUND CORP		02/18/2020	10,000,000.00	9,930,200.00	9,928,450.00	1.590		1.625	162	08/10/2020
89233GEE2	6057	TOYOTA MOTOR CREDIT CORP		12/19/2019	10,000,000.00	9,967,800.00	9,961,355.55	1.880		1.921	74	05/14/2020
89233GF19	6064	TOYOTA MOTOR CREDIT CORP		01/24/2020	10,000,000.00	9,960,300.00	9,955,277.78	1.750		1.786	92	06/01/2020
89233GGL4	6079	TOYOTA MOTOR CREDIT CORP		02/19/2020	5,000,000.00	4,969,650.00	4,968,079.17	1.630		1.664	141	07/20/2020
89233GGL4	6080	TOYOTA MOTOR CREDIT CORP		02/19/2020	5,000,000.00	4,969,650.00	4,968,079.17	1.630		1.664	141	07/20/2020
Subtotal and Average			92,626,599.51		97,000,000.00	96,587,800.00	96,539,352.77			1.817	98	
Negotiable CD's												
06367BCV9	6049	BANK OF MONTREAL CHICAGO		12/12/2019	15,000,000.00	15,001,800.00	15,000,000.00	1.900		1.926	11	03/12/2020
34959TPV2	6013	BNP PARIBAS FORTIS SA/NY		10/25/2019	5,000,000.00	5,010,800.00	5,000,000.00	1.880		1.906	148	07/27/2020
60683BYF4	6065	MITSUBISHI UFJ TR&BK NY		01/28/2020	10,000,000.00	10,006,700.00	10,000,000.00	1.710		1.734	92	06/01/2020
60710AG48	6021	MIZUHO BANK LTD/NY		11/01/2019	5,000,000.00	5,003,700.00	5,000,083.91	1.930		1.947	61	05/01/2020
60710AG48	6025	MIZUHO BANK LTD/NY		11/05/2019	5,000,000.00	5,003,700.00	5,001,320.61	1.930		1.926	61	05/01/2020

Data Updated: FUNDSNAP: 03/06/2020 14:22
Run Date: 03/06/2020 - 14:23

Portfolio CNTY
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LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
February 29, 2020

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Negotiable CD's												
63873N6B2	6054	NATIXIS NY		12/17/2019	1,100,000.00	1,101,716.00	1,106,080.28	1.980		2.028	96	06/05/2020
78012UML6	6022	ROYAL BANK OF CANADA		11/04/2019	2,000,000.00	2,001,100.00	2,034,537.67	2.660		1.805	18	03/19/2020
78012URW7	6037	ROYAL BANK OF CANADA		12/06/2019	10,000,000.00	10,008,300.00	10,000,000.00	1.820		1.845	75	05/15/2020
83050PCG2	6050	SKANDINAV ENSKILDA BK NY		12/12/2019	7,000,000.00	7,005,180.00	7,061,608.06	2.100		1.876	44	04/14/2020
85325V3A6	6051	STANDARD CHARTERED BK NY		12/12/2019	10,000,000.00	10,008,500.00	10,000,000.00	1.870		1.896	101	06/10/2020
85325V3Z1	6075	STANDARD CHARTERED BK NY		02/14/2020	10,000,000.00	10,005,800.00	10,000,000.00	1.650		1.673	164	08/12/2020
87019VBS5	6076	SWED BANK		02/14/2020	25,000,000.00	25,019,500.00	25,000,000.00	1.660		1.683	134	07/13/2020
89114NEQ4	6059	TORONTO DOMINION BANK NY		01/02/2020	5,000,000.00	5,003,650.00	5,000,176.65			1.886	64	05/04/2020
Subtotal and Average			98,308,647.46		110,100,000.00	110,180,446.00	110,203,807.18			1.814	90	
Corporate Notes & Bonds												
03076CAE6	6027	AMERIPRISE FINANCIAL INC		11/06/2019	1,000,000.00	1,001,250.00	1,008,800.35	5.300		1.940	14	03/15/2020
023135AT3	6028	AMAZON.COM INC		11/06/2019	1,130,000.00	1,133,051.00	1,130,889.05	1.900		1.730	173	08/21/2020
0258M0DX4	6052	AMERICAN EXPRESS CREDIT		12/13/2019	2,629,000.00	2,640,173.25	2,655,117.91	2.600		1.936	197	09/14/2020
06051GEC9	6047	BANK OF AMERICA CORP		12/12/2019	2,300,000.00	2,331,326.00	2,328,626.33	5.625		1.852	122	07/01/2020
06051GFT1	6070	BANK OF AMERICA CORP		02/10/2020	2,384,000.00	2,401,140.96	2,417,550.10	2.625		1.670	232	10/19/2020
17325FAE8	6009	CITIGROUP INC		10/22/2019	3,884,000.00	3,887,029.52	3,886,473.09	2.100		1.869	103	06/12/2020
17325FAN8	6024	CITIGROUP INC		11/05/2019	6,540,000.00	6,546,540.00	6,553,029.63	3.050		2.047	61	05/01/2020
14913QZJ7	6041	CATERPILLAR FINANCIAL SERVICES		12/09/2019	2,908,000.00	2,916,055.16	2,920,340.36	2.950		1.830	75	05/15/2020
00440EAT4	6044	CHUBB INA HOLDINGS INC		12/10/2019	5,000,000.00	5,018,750.00	5,023,488.64	2.300		1.947	247	11/03/2020
200339DW6	6056	COMERICA BANK		12/19/2019	5,308,000.00	5,317,554.40	5,322,386.00	2.500		1.887	93	06/02/2020
25468PDP8	5955	THE WALT DISNEY COMPANY		04/05/2019	2,935,000.00	2,935,029.35	2,934,836.48	1.950		2.630	3	03/04/2020
25468PDU7	6000	THE WALT DISNEY COMPANY		09/06/2019	5,650,000.00	5,655,537.00	5,649,032.57	1.800		1.865	96	06/05/2020
25468PDE3	6030	THE WALT DISNEY COMPANY		11/06/2019	2,800,000.00	2,808,288.00	2,814,281.86	2.150		1.745	200	09/17/2020
38148PP84	5998	GOLDMAN SACHS GROUP INC		09/06/2019	2,250,000.00	2,259,450.00	2,257,084.07	3.200		1.977	96	06/05/2020
437076BQ4	5999	HOME DEPOT INC		09/06/2019	2,770,000.00	2,771,717.40	2,769,312.75	1.800		1.895	96	06/05/2020
40428HPR7	5935	HSBC USA INC		03/12/2019	2,015,000.00	2,015,100.75	2,014,914.38	2.350		2.740	4	03/05/2020
40428HPR7	5945	HSBC USA INC		04/01/2019	5,000,000.00	5,000,250.00	4,999,841.08	2.350		2.640	4	03/05/2020
40428HPR7	5949	HSBC USA INC		04/03/2019	5,000,000.00	5,000,250.00	4,999,843.37	2.350		2.636	4	03/05/2020
458140AZ3	6026	INTEL CORP		11/05/2019	1,217,000.00	1,217,815.39	1,217,215.27	1.850		1.758	71	05/11/2020
46625HHS2	6046	JP MORGAN CHASE & CO		12/12/2019	4,000,000.00	4,043,400.00	4,039,454.36	4.400		1.853	143	07/22/2020
55279HAN0	6071	MANUF & TRADERS TRUST CO		02/10/2020	8,856,000.00	8,858,391.12	8,869,128.66	2.050		1.725	169	08/17/2020
69353RES3	6031	PNC BANK		11/06/2019	1,800,000.00	1,806,282.00	1,805,222.82	2.600		1.843	142	07/21/2020
69353RFC7	6040	PNC BANK		12/09/2019	5,000,000.00	5,004,800.00	5,007,066.81	2.000		1.857	79	05/19/2020
69353RES3	6043	PNC BANK		12/10/2019	2,555,000.00	2,563,916.95	2,561,247.61	2.600		1.963	142	07/21/2020
69353REP9	6053	PNC BANK		12/13/2019	1,700,000.00	1,702,550.00	1,702,714.94	2.300		1.963	92	06/01/2020
904764AV9	6042	UNILEVER CAPITAL CORP		12/09/2019	1,100,000.00	1,100,352.00	1,101,870.00	1.800		1.797	65	05/05/2020
91324PCM2	6029	UNITEDHEALTH GROUP INC		11/06/2019	5,000,000.00	5,018,000.00	5,017,430.76	2.700		1.752	136	07/15/2020

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Corporate Notes & Bonds												
91324PDC3	6068	UNITEDHEALTH GROUP INC		02/04/2020	3,477,000.00	3,482,250.27	3,504,665.64	1.950		1.616	228	10/15/2020
30231GAG7	5994	EXXON MOBIL CORPORATION		09/03/2019	3,000,000.00	3,000,120.00	3,000,016.39	1.912		1.872	5	03/06/2020
Subtotal and Average			97,142,886.66		99,208,000.00	99,436,370.52	99,511,881.28			1.970	109	
Promissory Notes												
SYS5903	5903	TULARE COUNTY TRANSPORTATION A			20,000,000.00	20,000,000.00	20,000,000.00	3.480		3.480	1,400	12/31/2023
Subtotal and Average			20,000,000.00		20,000,000.00	20,000,000.00	20,000,000.00			3.480	1,400	
Agency Disc. -Amortizing												
313396YW7	6073	FREDDIE MAC DISCOUNT NT		02/12/2020	10,000,000.00	9,953,900.00	9,948,066.67	1.520		1.572	123	07/02/2020
Subtotal and Average			6,172,434.48		10,000,000.00	9,953,900.00	9,948,066.67			1.572	123	
Treasury Discounts -Amortizing												
912796UB3	6067	U.S. TREASURY BILL		01/31/2020	10,000,000.00	9,959,000.00	9,949,706.67	1.472		1.523	123	07/02/2020
912796WW5	6078	U.S. TREASURY BILL		02/18/2020	10,000,000.00	9,957,100.00	9,946,169.01	1.491		1.541	130	07/09/2020
Subtotal and Average			16,989,052.07		20,000,000.00	19,916,100.00	19,895,875.68			1.532	126	
Total and Average			433,424,838.47		463,867,965.72	463,634,582.24	463,658,949.30			1.909	74	

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Money Market Fund												
60934N10S	3521B	FEDERATED GOVT OBLIG			10,878,005.20	10,878,005.20	10,878,005.20	1.450	AAA	1.450	1	
Subtotal and Average			7,141,899.10		10,878,005.20	10,878,005.20	10,878,005.20			1.450	1	
Negotiable CD's												
06370REU9	5843	BANK OF MONTREAL CHICAGO		08/03/2018	10,000,000.00	10,056,200.00	10,000,000.00	3.190		3.297	155	08/03/2020
06417GU22	5826	BANK OF NOVA SCOTIA		06/07/2018	10,465,000.00	10,509,476.25	10,464,479.37	3.080		3.080	96	06/05/2020
22535CDU2	5951	CREDIT AGRICOLE CIB-NY		04/04/2019	11,775,000.00	11,909,235.00	11,775,000.00	2.830		2.869	397	04/02/2021
23341VZT1	6039	DNB NOR BANK ASA NY		12/06/2019	8,770,000.00	8,831,740.80	8,770,000.00	2.040		2.040	1,006	12/02/2022
55379WZT6	5926	MUFG BANK LTD/NY		02/28/2019	5,370,000.00	5,442,870.90	5,370,000.00	2.970		3.011	362	02/26/2021
65558TLL7	5990	NORDEA BANK FINLAND NY		08/29/2019	11,000,000.00	11,095,590.00	11,000,000.00	1.850		1.871	908	08/26/2022
83369XDL9	6081	SOCIETE GENERALE NY		02/19/2020	11,680,000.00	11,758,956.80	11,680,000.00	1.800		1.800	715	02/14/2022
86565BPC9	5860	SUMITOMO MITSUI BANK NY		10/18/2018	10,000,000.00	10,120,300.00	9,995,727.85	3.390		3.508	229	10/16/2020
87019U6D6	5770	SWEDBANK (NEW YORK)		11/17/2017	10,830,000.00	10,869,421.20	10,830,000.00	2.270		2.300	260	11/16/2020
96121T4A3	5743	WESTPAC BANKING COPR NY		08/07/2017	10,100,000.00	10,124,038.00	10,100,000.00	2.050		2.050	155	08/03/2020
Subtotal and Average			92,735,207.98		99,990,000.00	100,717,828.95	99,985,207.22			2.554	430	
Negotiable CDs - Floating Rate												
13606BVF0	5811	CANADIAN IMPERIAL BANK OF COMM		04/10/2018	4,730,000.00	4,732,175.80	4,730,000.00	2.234		2.766	40	04/10/2020
Subtotal and Average			4,730,000.00		4,730,000.00	4,732,175.80	4,730,000.00			2.766	40	
Treasury Securities - Coupon												
912828B90	5576A	U.S. TREASURY NOTE		09/01/2018	6,000,000.00	6,054,600.00	6,034,718.17	2.000		1.408	364	02/28/2021
912828B90	5601A	U.S. TREASURY NOTE		09/01/2018	2,500,000.00	2,522,750.00	2,521,485.95	2.000		1.124	364	02/28/2021
912828T34	5638A	U.S. TREASURY NOTE		09/01/2018	9,850,000.00	9,875,413.00	9,796,062.89	1.125		1.480	578	09/30/2021
912828WY2	5642	U.S. TREASURY NOTE		11/23/2016	5,490,000.00	5,587,337.70	5,525,251.03	2.250		1.775	517	07/31/2021
912828D72	5644	U.S. TREASURY NOTE		12/05/2016	5,490,000.00	5,573,448.00	5,496,113.77	2.000		1.922	548	08/31/2021
912828Q78	5647	U.S. TREASURY NOTE		12/07/2016	1,085,000.00	1,088,645.60	1,079,972.16	1.375		1.790	425	04/30/2021
912828B90	5651A	U.S. TREASURY NOTE		09/01/2018	1,000,000.00	1,009,100.00	1,001,009.75	2.000		1.896	364	02/28/2021
912828F96	5656A	U.S. TREASURY NOTE		09/01/2018	9,455,000.00	9,618,287.85	9,455,784.44	2.000		1.994	609	10/31/2021
912828WN6	5658	U.S. TREASURY NOTE		01/20/2017	5,000,000.00	5,059,200.00	5,006,209.76	2.000		1.896	456	05/31/2021
912828J43	5691A	U.S. TREASURY NOTE		09/01/2018	11,425,000.00	11,615,112.00	11,341,837.81	1.750		2.130	729	02/28/2022
912828J43	5696	U.S. TREASURY NOTE		03/17/2017	15,230,000.00	15,483,427.20	15,116,840.53	1.750		2.144	729	02/28/2022
912828V72	5729	U.S. TREASURY NOTE		07/11/2017	10,375,000.00	10,564,240.00	10,366,980.45	1.875		1.917	701	01/31/2022
912828U81	5737	U.S. TREASURY NOTE		07/28/2017	5,875,000.00	5,988,622.50	5,896,585.32	2.000		1.790	670	12/31/2021
912828XG0	5746A	U.S. TREASURY NOTE		09/01/2018	11,000,000.00	11,312,840.00	11,074,672.33	2.125		1.822	851	06/30/2022
912828XQ8	5748	U.S. TREASURY NOTE		08/31/2017	5,000,000.00	5,133,000.00	5,031,094.19	2.000		1.730	882	07/31/2022
912828L24	5755	U.S. TREASURY NOTE		09/29/2017	3,000,000.00	3,072,900.00	2,997,380.27	1.875		1.912	913	08/31/2022
912828L57	5757	U.S. TREASURY NOTE		10/06/2017	185,000.00	189,097.75	184,183.74	1.750		1.930	943	09/30/2022

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Treasury Securities - Coupon												
912828L57	5761A	U.S. TREASURY NOTE		09/01/2018	11,000,000.00	11,243,650.00	10,936,352.06	1.750	1.984	943	09/30/2022	
912828L57	5765	U.S. TREASURY NOTE		11/03/2017	7,390,000.00	7,553,688.50	7,339,718.74	1.750	2.028	943	09/30/2022	
912828N30	5784A	U.S. TREASURY NOTE		09/01/2018	2,445,000.00	2,529,817.05	2,423,143.04	2.125	2.459	1,035	12/31/2022	
9128283C2	5819	U.S. TREASURY NOTE		05/04/2018	14,075,000.00	14,488,523.50	13,796,313.02	2.000	2.796	974	10/31/2022	
912828L57	5825	U.S. TREASURY NOTE		06/06/2018	10,740,000.00	10,977,891.00	10,477,843.51	1.750	2.759	943	09/30/2022	
912828P38	5855	U.S. TREASURY NOTE		10/05/2018	18,150,000.00	18,603,024.00	17,562,705.00	1.750	2.939	1,066	01/31/2023	
912828W89	5856	U.S. TREASURY NOTE		10/05/2018	7,710,000.00	7,864,200.00	7,546,198.46	1.875	2.957	760	03/31/2022	
912828X47	5862	U.S. TREASURY NOTE		10/24/2018	3,955,000.00	4,037,659.50	3,864,033.70	1.875	3.002	790	04/30/2022	
912828Q29	5865	U.S. TREASURY NOTE		11/07/2018	7,960,000.00	8,108,931.60	7,625,669.54	1.500	2.964	1,125	03/31/2023	
912828XR6	5866	U.S. TREASURY NOTE		11/07/2018	1,450,000.00	1,477,637.00	1,413,363.18	1.750	2.942	821	05/31/2022	
912828P38	5880	U.S. TREASURY NOTE		12/06/2018	12,000,000.00	12,299,520.00	11,642,609.80	1.750	2.839	1,066	01/31/2023	
912828T91	5898	U.S. TREASURY NOTE		12/24/2018	3,750,000.00	3,848,437.50	3,616,507.93	1.625	2.667	1,339	10/31/2023	
9128282D1	5899	U.S. TREASURY NOTE		12/24/2018	6,600,000.00	6,708,768.00	6,320,775.96	1.375	2.670	1,278	08/31/2023	
912828V23	5907	U.S. TREASURY NOTE		01/09/2019	4,995,000.00	5,247,896.85	4,940,276.98	2.250	2.556	1,400	12/31/2023	
912828S92	5920	U.S. TREASURY NOTE		02/12/2019	2,650,000.00	2,681,879.50	2,548,554.24	1.250	2.439	1,247	07/31/2023	
912828WE6	5931	U.S. TREASURY NOTE		03/08/2019	7,150,000.00	7,630,980.50	7,207,177.76	2.750	2.519	1,354	11/15/2023	
912828W48	5950	U.S. TREASURY NOTE		04/04/2019	12,900,000.00	13,513,266.00	12,816,658.63	2.125	2.297	1,460	02/29/2024	
9128285D8	5969	U.S. TREASURY NOTE		05/03/2019	10,300,000.00	11,015,747.00	10,519,849.01	2.875	2.245	1,308	09/30/2023	
912828X70	5972	U.S. TREASURY NOTE		06/05/2019	24,490,000.00	25,573,927.40	24,584,241.12	2.000	1.903	1,521	04/30/2024	
912828V80	5975	U.S. TREASURY NOTE		06/25/2019	13,200,000.00	13,880,592.00	13,440,100.59	2.250	1.764	1,431	01/31/2024	
912828XX3	5976	U.S. TREASURY NOTE		07/03/2019	22,560,000.00	23,599,790.40	22,761,783.06	2.000	1.783	1,582	06/30/2024	
9128285K2	5981	U.S. TREASURY NOTE		07/30/2019	7,910,000.00	8,470,502.60	8,199,131.83	2.875	1.833	1,339	10/31/2023	
9128282N9	5985	U.S. TREASURY NOTE		08/05/2019	8,950,000.00	9,417,816.50	9,072,564.37	2.125	1.799	1,613	07/31/2024	
9128282U3	5996	U.S. TREASURY NOTE		09/05/2019	17,775,000.00	18,519,950.25	18,197,455.47	1.875	1.333	1,644	08/31/2024	
9128282Y5	6005	U.S. TREASURY NOTE		10/03/2019	17,000,000.00	17,915,110.00	17,469,191.92	2.125	1.501	1,674	09/30/2024	
9128283D0	6023	U.S. TREASURY NOTE		11/05/2019	11,925,000.00	12,645,627.75	12,293,540.26	2.250	1.566	1,705	10/31/2024	
9128283J7	6034	U.S. TREASURY NOTE		12/04/2019	25,000,000.00	26,389,750.00	25,494,681.88	2.125	1.694	1,735	11/30/2024	
912828YM6	6035	U.S. TREASURY NOTE		12/04/2019	9,450,000.00	9,700,614.00	9,382,154.00	1.500	1.692	1,705	10/31/2024	
9128283J7	6060	U.S. TREASURY NOTE		01/07/2020	20,600,000.00	21,745,154.00	21,108,225.73	2.125	1.631	1,735	11/30/2024	
9128283J7	6061	U.S. TREASURY NOTE		01/07/2020	5,425,000.00	5,726,575.75	5,566,650.66	2.125	1.599	1,735	11/30/2024	
9128283V0	6069	U.S. TREASURY NOTE		02/05/2020	13,650,000.00	14,681,803.50	14,398,817.53	2.500	1.350	1,797	01/31/2025	
Subtotal and Average			463,875,673.87		451,115,000.00	467,846,753.25	452,492,471.54		2.003	1,237		
Agency Issues - Fixed Coupon												
3130A8QS5	5633A	FEDERAL HOME LOAN BANKS		09/01/2018	9,150,000.00	9,168,391.50	9,125,738.54	1.125	1.323	500	07/14/2021	
313379RB7	5747A	FEDERAL HOME LOAN BANKS		09/01/2018	2,300,000.00	2,325,346.00	2,305,865.68	1.875	1.670	467	06/11/2021	
3130A0F70	5913	FEDERAL HOME LOAN BANKS		01/31/2019	8,990,000.00	9,781,929.10	9,198,793.91	3.375	2.713	1,377	12/08/2023	
3130A0F70	5917	FEDERAL HOME LOAN BANKS		02/06/2019	6,110,000.00	6,648,229.90	6,262,641.23	3.375	2.664	1,377	12/08/2023	

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Agency Issues - Fixed Coupon												
3130AFW94	5921	FEDERAL HOME LOAN BANKS		02/15/2019	8,050,000.00	8,515,209.50	8,027,462.33	2.500		2.576	1,444	02/13/2024
3137EAC9	5621A	FED. HOME LOAN MTG. CORP.		09/01/2018	7,250,000.00	7,266,385.00	7,229,194.37	1.125		1.328	529	08/12/2021
3137EAE5	5839	FED. HOME LOAN MTG. CORP.		07/12/2018	1,090,000.00	1,153,372.60	1,086,115.97	2.750		2.866	1,205	06/19/2023
3137EAE5	5841A	FED. HOME LOAN MTG. CORP.		09/01/2018	4,725,000.00	4,999,711.50	4,709,043.74	2.750		2.860	1,205	06/19/2023
3137EAE5	5864	FED. HOME LOAN MTG. CORP.		11/07/2018	7,525,000.00	7,962,503.50	7,451,147.97	2.750		3.071	1,205	06/19/2023
3137EAC9	6326A	FED. HOME LOAN MTG. CORP.		09/01/2018	2,605,000.00	2,610,887.30	2,599,308.24	1.125		1.279	529	08/12/2021
3135G0N82	3622	FED. NAT'L MTG. ASSN.		09/02/2016	9,115,000.00	9,154,285.65	9,098,561.75	1.250		1.378	534	08/17/2021
3135G0N82	3644A	FED. NAT'L MTG. ASSN.		09/01/2018	5,800,000.00	5,824,998.00	5,790,579.28	1.250		1.364	534	08/17/2021
3135G0J20	5566A	FED. NAT'L MTG. ASSN.		09/01/2018	4,500,000.00	4,511,835.00	4,497,539.94	1.375		1.432	362	02/26/2021
3135G0J20	5577A	FED. NAT'L MTG. ASSN.		09/01/2018	5,000,000.00	5,013,150.00	4,994,832.28	1.375		1.482	362	02/26/2021
3135G0K69	5593A	FED. NAT'L MTG. ASSN.		09/01/2018	9,300,000.00	9,323,250.00	9,307,696.74	1.250		1.178	431	05/06/2021
3135G0N82	5617	FED. NAT'L MTG. ASSN.		08/19/2016	3,660,000.00	3,675,774.60	3,655,663.57	1.250		1.334	534	08/17/2021
3135G0N82	5618	FED. NAT'L MTG. ASSN.		08/19/2016	3,440,000.00	3,454,826.40	3,436,557.23	1.250		1.321	534	08/17/2021
3135G0N82	5628A	FED. NAT'L MTG. ASSN.		09/01/2018	4,000,000.00	4,017,240.00	3,998,156.91	1.250		1.282	534	08/17/2021
3135G0S38	5657	FED. NAT'L MTG. ASSN.		01/20/2017	5,000,000.00	5,094,750.00	4,991,128.07	2.000		2.102	675	01/05/2022
3135G0S38	5679	FED. NAT'L MTG. ASSN.		02/03/2017	3,370,000.00	3,433,861.50	3,365,933.79	2.000		2.069	675	01/05/2022
3135G0S38	5713A	FED. NAT'L MTG. ASSN.		09/01/2018	10,500,000.00	10,698,975.00	10,515,075.71	2.000		1.919	675	01/05/2022
3135G0T45	5721A	FED. NAT'L MTG. ASSN.		09/01/2018	11,040,000.00	11,251,084.80	11,039,271.34	1.875		1.878	765	04/05/2022
3135G0S38	5725	FED. NAT'L MTG. ASSN.		06/29/2017	7,040,000.00	7,173,408.00	7,058,370.50	2.000		1.852	675	01/05/2022
3135G0T45	5726	FED. NAT'L MTG. ASSN.		06/29/2017	7,100,000.00	7,235,752.00	7,099,532.05	1.875		1.878	765	04/05/2022
3135G0T78	5794	FED. NAT'L MTG. ASSN.		03/05/2018	3,500,000.00	3,588,165.00	3,444,823.24	2.000		2.649	948	10/05/2022
3135G0T78	5795	FED. NAT'L MTG. ASSN.		03/06/2018	2,410,000.00	2,470,707.90	2,370,495.93	2.000		2.675	948	10/05/2022
3135G0T94	5813A	FED. NAT'L MTG. ASSN.		09/01/2018	10,000,000.00	10,410,300.00	9,910,890.39	2.375		2.704	1,054	01/19/2023
3135G0U35	5835A	FED. NAT'L MTG. ASSN.		09/01/2018	1,500,000.00	1,533,990.00	1,500,974.48	2.750		2.697	478	06/22/2021
3135G0U43	5854	FED. NAT'L MTG. ASSN.		10/04/2018	6,240,000.00	6,658,080.00	6,207,704.88	2.875		3.034	1,290	09/12/2023
3135G0U43	5875	FED. NAT'L MTG. ASSN.		11/30/2018	7,000,000.00	7,469,000.00	6,977,886.67	2.875		2.971	1,290	09/12/2023
3135G0U43	5904	FED. NAT'L MTG. ASSN.		12/31/2018	6,350,000.00	6,775,450.00	6,391,762.23	2.875		2.675	1,290	09/12/2023
3135G0V34	5918	FED. NAT'L MTG. ASSN.		02/08/2019	7,005,000.00	7,414,582.35	6,984,495.35	2.500		2.580	1,436	02/05/2024
3135G0V34	5919	FED. NAT'L MTG. ASSN.		02/11/2019	3,185,000.00	3,371,226.95	3,181,209.35	2.500		2.532	1,436	02/05/2024
3135G0V75	5989	FED. NAT'L MTG. ASSN.		08/19/2019	5,100,000.00	5,264,883.00	5,152,907.48	1.750		1.501	1,584	07/02/2024
Subtotal and Average			200,308,327.73		198,950,000.00	205,251,542.05	198,967,361.14		2.071	890		
Agencies - Mortgage Backed												
3137BDDC7	5751A	FREDDIE MAC MULTIFAMILY PASS		08/30/2018	3,030,000.00	3,074,025.90	3,154,277.34	3.130		0.092	481	06/25/2021
3137BM6P6	5753A	FREDDIE MAC MULTIFAMILY PASS		08/30/2018	8,445,000.00	8,705,697.15	8,766,247.80	3.090		0.962	907	08/25/2022
3137B6ZM6	5781A	FREDDIE MAC MULTIFAMILY PASS		08/30/2018	1,980,071.85	1,985,913.06	2,010,082.31	3.034		1.377	238	10/25/2020
3137BM6P6	5810	FREDDIE MAC MULTIFAMILY PASS		04/09/2018	2,835,000.00	2,922,516.45	2,859,141.80	3.090		2.565	907	08/25/2022
3137BLUR7	5954	FREDDIE MAC MULTIFAMILY PASS		04/05/2019	4,610,000.00	4,722,484.00	4,621,525.00	2.716		2.441	846	06/25/2022

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Agencies - Mortgage Backed												
3137BHXY8	5970	FREDDIE MAC MULTIFAMILY PASS		05/21/2019	10,500,000.00	10,731,315.00	10,565,625.00	2.791		2.108	695	01/25/2022
3137B1BS0	5973	FREDDIE MAC MULTIFAMILY PASS		06/17/2019	3,000,000.00	3,085,920.00	3,026,250.00	2.510		1.848	999	11/25/2022
3137AWQH1	6001	FREDDIE MAC MULTIFAMILY PASS		09/09/2019	5,450,000.00	5,571,535.00	5,530,472.66	2.307		1.201	907	08/25/2022
3137FQ3V3	6033	FREDDIE MAC MULTIFAMILY PASS		11/26/2019	3,336,085.76	3,385,626.63	3,336,005.69	2.092		1.980	1,607	07/25/2024
3136B1XP4	5818	FANNIE MAE		04/30/2018	2,279,043.39	2,312,157.89	2,324,375.84	3.560		2.174	573	09/25/2021
3136AJB54	6055	FANNIE MAE		12/18/2019	8,375,000.00	8,947,431.25	8,781,972.66	3.346		0.867	1,485	03/25/2024
Subtotal and Average			55,680,711.74		53,840,201.00	55,444,622.33	54,975,976.10			1.526	938	
Supranationals												
4581X0CW6	5655A	INTER-AMERICAN DEVEL BK		09/01/2018	9,700,000.00	9,905,737.00	9,695,512.62	2.125		2.150	688	01/18/2022
4581X0CD8	5758	INTER-AMERICAN DEVEL BK		10/10/2017	10,555,000.00	10,626,774.00	10,576,878.43	2.125		1.814	253	11/09/2020
4581X0CZ9	5802A	INTER-AMERICAN DEVEL BK		09/01/2018	9,500,000.00	9,692,755.00	9,266,187.91	1.750		2.783	927	09/14/2022
45950KCM0	5782A	INTERNATIONAL FINANCE CORP		09/01/2018	3,875,000.00	3,914,215.00	3,871,582.25	2.250		2.351	330	01/25/2021
45950KCM0	5783	INTERNATIONAL FINANCE CORP		01/25/2018	4,315,000.00	4,358,667.80	4,311,194.17	2.250		2.352	330	01/25/2021
Subtotal and Average			37,718,410.23		37,945,000.00	38,498,148.80	37,721,355.38			2.255	547	
Municipal Bonds												
13063DRJ9	6011	STATE OF CALIFORNIA		10/24/2019	10,580,000.00	11,014,203.20	10,772,731.46	2.400		1.870	1,309	10/01/2023
Subtotal and Average			10,774,967.37		10,580,000.00	11,014,203.20	10,772,731.46			1.870	1,309	
Corporate Notes & Bonds												
037833CG3	5958	APPLE INC		04/11/2019	10,000,000.00	10,601,100.00	10,090,807.48	3.000		2.752	1,440	02/09/2024
023135AW6	5959	AMAZON.COM INC		04/11/2019	5,500,000.00	5,669,290.00	5,457,906.85	2.400		2.672	1,088	02/22/2023
0258M0EB1	5734	AMERICAN EXPRESS CREDIT		07/20/2017	5,000,000.00	5,043,250.00	5,001,801.61	2.250		2.218	430	05/05/2021
06051GFW4	5764	BANK OF AMERICA CORP		11/03/2017	5,375,000.00	5,436,382.50	5,388,182.64	2.625		2.398	414	04/19/2021
06406FAA1	5750	BANK OF NEW YORK MELLON CORP		09/11/2017	9,400,000.00	9,506,878.00	9,452,004.23	2.500		1.986	410	04/15/2021
06406RAJ6	5929	BANK OF NEW YORK MELLON CORP		03/07/2019	6,725,000.00	7,176,651.00	6,799,810.35	3.450		3.101	1,258	08/11/2023
09247XAJ0	5960	BLACKROCK INC.		04/11/2019	5,500,000.00	5,758,170.00	5,590,598.14	3.375		2.607	822	06/01/2022
172967LC3	5772	CITIGROUP INC		11/22/2017	5,375,000.00	5,485,133.75	5,391,061.17	2.900		2.720	647	12/08/2021
22160KAL9	5974	COSTCO WHOLESALE CORP		06/18/2019	7,000,000.00	7,400,680.00	7,122,208.49	2.750		2.309	1,539	05/18/2024
166764BG4	5602A	CHEVERON CORPORATION		09/01/2018	3,000,000.00	3,027,930.00	3,017,951.27	2.100		1.592	441	05/16/2021
24422ETL3	5700A	JOHN DEERE CAPITAL CORPORATION		09/01/2018	1,585,000.00	1,627,034.20	1,587,231.91	2.650		2.569	676	01/06/2022
24422ETG4	5822A	JOHN DEERE CAPITAL CORPORATION		09/01/2018	1,155,000.00	1,207,356.15	1,133,282.18	2.800		3.479	1,100	03/06/2023
24422ESL4	7519A	JOHN DEERE CAPITAL CORPORATION		09/01/2018	3,325,000.00	3,372,381.25	3,346,688.11	2.800		2.132	368	03/04/2021
254687FK7	5997	THE WALT DISNEY COMPANY		09/06/2019	9,750,000.00	9,782,730.75	9,714,100.43	1.750		1.836	1,643	08/30/2024
369550BE7	5820A	GENERAL DYNAMICS CORPORATION		09/01/2018	4,000,000.00	4,082,720.00	3,988,931.48	3.000		3.243	436	05/11/2021
369550BE7	5823A	GENERAL DYNAMICS CORPORATION		09/01/2018	3,000,000.00	3,062,040.00	2,991,412.08	3.000		3.251	436	05/11/2021
38141GGQ1	5766	GOLDMAN SACHS GROUP INC		11/07/2017	4,860,000.00	5,099,938.20	5,035,976.76	5.250		2.533	513	07/27/2021

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Corporate Notes & Bonds												
38141GWC4	5848	GOLDMAN SACHS GROUP INC		09/07/2018	5,500,000.00	5,590,530.00	5,437,478.99	3.000	3.567	786	04/26/2022	
437076AZ5	5807	HOME DEPOT INC		04/05/2018	5,700,000.00	5,928,684.00	5,633,066.26	2.700	3.114	1,126	04/01/2023	
02665WCJ8	5840A	AMERICAN HONDA FINANCE CORP		09/01/2018	2,215,000.00	2,360,990.65	2,212,414.82	3.450	3.487	1,230	07/14/2023	
02665WBG5	5852	AMERICAN HONDA FINANCE CORP		09/07/2018	3,250,000.00	3,267,095.00	3,185,772.07	1.700	3.069	557	09/09/2021	
02665WCT6	5911	AMERICAN HONDA FINANCE CORP		01/31/2019	3,900,000.00	4,184,349.00	3,930,307.55	3.550	3.330	1,412	01/12/2024	
459200JQ5	5677	IBM CORP.		01/31/2017	5,000,000.00	5,114,000.00	5,004,984.58	2.500	2.444	697	01/27/2022	
44932HAC7	5775A	IBM CORP.		09/01/2018	6,550,000.00	6,688,205.00	6,491,456.50	2.200	2.576	921	09/08/2022	
46625HQJ2	5587	JP MORGAN CHASE & CO		06/15/2016	6,150,000.00	6,202,828.50	6,167,975.70	2.550	2.240	365	03/01/2021	
46625HQJ2	5653	JP MORGAN CHASE & CO		01/05/2017	2,745,000.00	2,768,579.55	2,743,903.47	2.550	2.592	365	03/01/2021	
48128BAB7	5789A	JP MORGAN CHASE & CO		09/01/2018	6,000,000.00	6,166,140.00	5,966,214.11	2.972	3.183	1,050	01/15/2023	
48128BAB7	5803A	JP MORGAN CHASE & CO		09/01/2018	1,000,000.00	1,027,690.00	985,459.38	2.972	3.522	1,050	01/15/2023	
57636QAF1	5718	MASTERCARD INC		05/11/2017	4,500,000.00	4,560,390.00	4,486,991.41	2.000	2.177	630	11/21/2021	
57636QAB0	5961	MASTERCARD INC		04/11/2019	5,091,000.00	5,515,640.31	5,225,582.43	3.375	2.679	1,492	04/01/2024	
594918BP8	5612A	MICROSOFT CORP		09/01/2018	3,030,000.00	3,044,877.30	3,029,086.20	1.550	1.571	525	08/08/2021	
594918BP8	5613A	MICROSOFT CORP		09/01/2018	1,220,000.00	1,225,990.20	1,219,463.87	1.550	1.581	525	08/08/2021	
68389XBK0	5643A	ORACLE CORP		09/01/2018	6,140,000.00	6,188,506.00	6,095,797.36	1.900	2.388	563	09/15/2021	
68389XBK0	5663A	ORACLE CORP		09/01/2018	600,000.00	604,740.00	595,205.96	1.900	2.442	563	09/15/2021	
68389XBK0	5664	ORACLE CORP		01/24/2017	5,000,000.00	5,039,500.00	4,960,182.29	1.900	2.450	563	09/15/2021	
68389XAP0	5851	ORACLE CORP		09/07/2018	1,750,000.00	1,798,877.50	1,720,648.50	2.500	3.187	958	10/15/2022	
69371RN44	5673A	PACCAR FINANCIAL CORP		09/01/2018	6,500,000.00	6,539,260.00	6,418,515.27	1.650	2.556	528	08/11/2021	
713448DX3	5759	PEPSICO INC		10/10/2017	3,405,000.00	3,434,180.85	3,404,782.51	2.000	2.006	410	04/15/2021	
717081ES8	5941	PFIZER INC		03/28/2019	7,925,000.00	8,380,529.00	8,029,009.62	2.950	2.601	1,475	03/15/2024	
69353RFE3	5738A	PNC BANK		09/01/2018	7,480,000.00	7,646,953.60	7,479,675.74	2.450	2.452	879	07/28/2022	
74005PAY0	5808	PRAXAIR INC.		04/05/2018	4,825,000.00	4,959,376.25	4,882,388.09	4.050	2.848	379	03/15/2021	
808513AT2	5804A	CHARLES SCHWAB CORP		09/01/2018	6,000,000.00	6,247,680.00	5,904,201.89	2.650	3.245	1,060	01/25/2023	
857477AV5	5581A	STATE STREET CORP		09/01/2018	3,185,000.00	3,208,569.00	3,184,596.99	1.950	1.960	444	05/19/2021	
857477AV5	5667A	STATE STREET CORP		09/01/2018	2,155,000.00	2,170,947.00	2,141,692.00	1.950	2.477	444	05/19/2021	
89236TDP7	5796A	TOYOTA MOTOR CREDIT		09/01/2018	2,750,000.00	2,821,582.50	2,728,526.45	2.600	3.044	681	01/11/2022	
89236TDP7	5821A	TOYOTA MOTOR CREDIT		09/01/2018	2,000,000.00	2,052,060.00	1,974,174.64	2.600	3.339	681	01/11/2022	
89236TDP7	5830A	TOYOTA MOTOR CREDIT		09/01/2018	1,850,000.00	1,898,155.50	1,829,110.52	2.600	3.245	681	01/11/2022	
89236TDP7	5850	TOYOTA MOTOR CREDIT		09/07/2018	4,250,000.00	4,360,627.50	4,209,037.62	2.600	3.149	681	01/11/2022	
89236TFS9	5908	TOYOTA MOTOR CREDIT		01/10/2019	7,375,000.00	7,927,535.00	7,348,829.82	3.350	3.451	1,408	01/08/2024	
91159HHP8	5666A	US BANCORP		09/01/2018	3,000,000.00	3,071,520.00	2,998,042.07	2.625	2.661	694	01/24/2022	
91159HHV5	5957	US BANCORP		04/11/2019	10,000,000.00	10,712,400.00	10,184,537.60	3.375	2.868	1,436	02/05/2024	
91159HHX1	5984	US BANCORP		08/05/2019	5,260,000.00	5,479,394.60	5,263,864.77	2.400	2.382	1,612	07/30/2024	
949746SA0	5610	WELLS FARGO & COMPANY		08/04/2016	9,000,000.00	9,081,270.00	9,011,235.69	2.100	2.006	512	07/26/2021	
30231GAV4	5557A	EXXON MOBIL CORPORATION		09/01/2018	2,190,000.00	2,199,636.00	2,190,000.00	2.222	2.222	365	03/01/2021	
30231GAV4	5580A	EXXON MOBIL CORPORATION		09/01/2018	4,075,000.00	4,092,930.00	4,089,934.10	2.222	1.845	365	03/01/2021	

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Subtotal and Average			259,479,628.11		259,116,000.00	266,901,885.61	259,474,102.02			2.605	879	
Asset Backed												
02007PAC7	5678	ALLY AUTO RECEIVABLES TRUST		01/31/2017	155,401.20	155,404.31	155,387.62	1.700		1.710	471	06/15/2021
02007HAC5	5703	ALLY AUTO RECEIVABLES TRUST		03/29/2017	642,900.61	643,151.34	642,824.81	1.780		1.792	533	08/16/2021
02007YAC8	5773	ALLY AUTO RECEIVABLES TRUST		11/22/2017	1,897,721.93	1,901,232.72	1,897,574.67	1.990		2.002	744	03/15/2022
14315XAC2	6063	CarMax Auto Owner Trust		01/22/2020	2,790,000.00	2,833,384.50	2,789,452.60	1.890		1.906	1,751	12/16/2024
14042WAC4	5971	CAPITAL ONE PRIME AUTO RECEIVA		05/30/2019	3,275,000.00	3,341,482.50	3,274,336.49	2.510		2.533	1,354	11/15/2023
43814TAC6	5701	HONDA AUTO RECEIVABLES TRUST		03/28/2017	482,424.36	482,675.22	482,395.66	1.720		1.729	507	07/21/2021
43811BAC8	5724	HONDA AUTO RECEIVABLES TRUST		06/27/2017	1,693,822.34	1,694,906.39	1,693,675.82	1.680		1.690	533	08/16/2021
43813FAC7	5774	HONDA AUTO RECEIVABLES TRUST		11/29/2017	1,373,198.42	1,374,640.28	1,373,004.94	2.050		2.066	631	11/22/2021
43811BAC8	5817A	HONDA AUTO RECEIVABLES TRUST		08/30/2018	1,997,431.99	1,998,710.35	1,966,378.16	1.680		2.696	533	08/16/2021
43813RAC1	6082	HONDA AUTO RECEIVABLES TRUST		02/26/2020	6,375,000.00	6,443,212.50	6,373,750.50	1.610		1.625	1,513	04/22/2024
44891EAC3	5625	HYUNDAI AUTO RECEIVABLES TRUST		09/21/2016	40,131.18	40,124.76	40,125.78	1.290		1.300	410	04/15/2021
44931PAD8	5704	HYUNDAI AUTO RECEIVABLES TRUST		03/29/2017	537,489.35	537,725.85	537,445.87	1.760		1.770	533	08/16/2021
44932GAD7	5745	HYUNDAI AUTO RECEIVABLES TRUST		08/16/2017	1,989,801.05	1,992,268.40	1,989,456.22	1.770		1.785	688	01/18/2022
44891KAD7	5815	HYUNDAI AUTO RECEIVABLES TRUST		04/18/2018	1,870,000.00	1,884,529.90	1,869,718.38	2.790		2.814	866	07/15/2022
47787XAC1	5686	JOHN DEERE OWNER TRUST		03/02/2017	64,044.98	64,042.42	64,035.86	1.780		1.794	410	04/15/2021
47788BAD6	5730A	JOHN DEERE OWNER TRUST		08/30/2018	365,407.41	365,761.86	365,380.66	1.820		1.782	593	10/15/2021
47788BAD6	5732	JOHN DEERE OWNER TRUST		07/18/2017	515,574.82	516,074.93	515,537.08	1.820		1.831	593	10/15/2021
47788CAC6	5793A	JOHN DEERE OWNER TRUST		08/30/2018	1,182,843.19	1,190,224.13	1,182,758.15	2.660		2.579	228	10/15/2020
47788EAC2	5842A	JOHN DEERE OWNER TRUST		08/30/2018	5,620,000.00	5,696,151.00	5,619,574.00	3.080		2.012	989	11/15/2022
654747AD6	5778A	NISSAN AUTO RECEIVABLES OWNERS		08/30/2018	427,869.48	428,044.91	425,145.15	1.740		2.129	533	08/16/2021
65478WAE5	5816A	NISSAN AUTO RECEIVABLES OWNERS		08/30/2018	2,159,602.08	2,158,047.17	2,095,910.69	1.380		2.817	1,052	01/17/2023
89238MAD0	5693	TOYOTA AUTO RECEIVABLES TRUST		03/15/2017	107,271.76	107,278.20	107,259.13	1.730		1.742	352	02/16/2021
89238KAD4	5769	TOYOTA AUTO RECEIVABLES TRUST		11/15/2017	2,231,604.49	2,236,424.76	2,231,398.74	1.930		1.942	688	01/18/2022
89238BAD4	5786	TOYOTA AUTO RECEIVABLES TRUST		01/29/2018	2,258,664.13	2,270,883.50	2,258,638.16	2.350		2.362	806	05/16/2022
89232HAC9	6072	TOYOTA AUTO RECEIVABLES TRUST		02/12/2020	8,565,000.00	8,652,020.40	8,564,381.61	1.660		1.669	1,536	05/15/2024
Subtotal and Average			44,553,641.46		48,618,204.77	49,008,402.30	48,515,546.75			2.017	1,082	
Total and Average			1,177,130,703.88		1,175,762,410.97	1,210,293,567.49	1,178,512,756.81			2.177	973	

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100