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

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2021

NEW ISSUE—BOOK-ENTRY ONLY

Rating: S&P: "AA+"
(See "MISCELLANEOUS — Rating" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series C Bonds maturing on and after August 1, 2023 (the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). In the further opinion of Bond Counsel, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series C Bonds is exempt from State of California personal income taxes. Bond Counsel further observes that interest on the Series C Bonds maturing on April 1, 2021 (the "Federally Taxable Bonds") is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series C Bonds. See "TAX MATTERS" herein.

$3,100,000*
HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2018, SERIES C
(Bank Qualified)

Dated: Date of Delivery **Due: As shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series C (the "Series C Bonds") are issued by the Harmony Union School District (the "District"), located in the County of Sonoma, California (the "County"), to (i) finance authorized projects under an environmental sustainability facilities plan (as described more fully herein) approved by the voters of the District, and (ii) pay costs of issuance of the Series C Bonds, as further described herein. The Series C Bonds were authorized at an election of the voters of the District held on June 5, 2018, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $9,600,000 principal amount of bonds of the District. The Series C Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District, adopted on December 14, 2020.

The Series C Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series C Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS" herein.

The Series C Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Tax-Exempt Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2021. Interest on the Federally Taxable Bonds is payable at maturity. Principal of the Tax-Exempt Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Principal of the Federally Taxable Bonds is payable on April 1, 2021 in the amount set forth on the inside front cover hereof.

The Series C Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The Series C 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series C Bonds. Individual purchases of the Series C Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series C Bonds purchased by them. See "THE SERIES C BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series C Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent with respect to the Series C Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series C Bonds. See "THE SERIES C BONDS – Payment of Principal and Interest" herein.

The Series C Bonds are subject to redemption prior to maturity as described herein.* See "THE SERIES C BONDS — Redemption" herein.

The Series C Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Series C Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about January 27, 2021.

RBC Capital Markets

Dated: _____, 2021

* *Preliminary; subject to change.*

**MATURITY SCHEDULE*
BASE CUSIP†: 413198**

$3,100,000*
**HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2018, SERIES C
(Bank Qualified)**

$_____ Serial Series C Bonds

Maturity	Principal Amount	Interest Rate	Yield	CUSIP Number†
Federally Taxable Bonds				
April 1, 2021	$	%	%	
Tax-Exempt Bonds				
August 1, 2023	$	%	%	
August 1, 2024				
August 1, 2025				
August 1, 2026				
August 1, 2027				
August 1, 2028				
August 1, 2029				
August 1, 2030				
August 1, 2031				
August 1, 2032				
August 1, 2033				
August 1, 2034				
August 1, 2035				
August 1, 2036				
August 1, 2037				
August 1, 2038				
August 1, 2039				
August 1, 2040				
August 1, 2041				
August 1, 2042				
August 1, 2043				
August 1, 2044				
August 1, 2045				
August 1, 2046				
August 1, 2047				
August 1, 2048				
August 1, 2049				
August 1, 2050				

$_____ _____% Term Tax-Exempt Bonds due August 1, 20__ – Yield _____% - CUSIP Number† ___

$_____ _____% Term Tax-Exempt Bonds due August 1, 20__ – Yield _____% - CUSIP Number† ___

* *Preliminary; subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)

BOARD OF TRUSTEES

Mariah Lander, *President*
Yuri Koslen, *Clerk*
Steve Bair, *Member*
Charlie Laird, *Member*
Amanda Solter, *Member*

DISTRICT ADMINISTRATORS

Matthew Morgan, *Superintendent/Principal*
Teresa Raef, *Assistant Principal*
Stacy Kalember, *Chief Business Officer*

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

The Bank of New York Mellon Trust Company, N.A.
Dallas, Texas

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

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

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

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

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

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

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

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$3,100,000[*]
HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2018, SERIES C
(Bank Qualified)

INTRODUCTION

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

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $3,100,000[*] aggregate principal amount of Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series C (the "Series C Bonds"), all as indicated on the inside front cover hereof, to be offered by the Harmony Union School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The purpose of this Official Statement is to supply information to prospective buyers of the Series C Bonds. Quotations from and summaries and explanations of the Series C Bonds, the resolution of the Board of Trustees of the District providing for the issuance of the Series C Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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

Copies of documents referred to herein and information concerning the Series C Bonds are available from the District by contacting: Harmony Union School District, 1935 Bohemian Highway, Occidental, California 95465-0279, Attention: Superintendent/Principal. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was established in 1953 and is located in the County of Sonoma (the "County"), approximately 60 miles north of San Francisco. The District encompasses approximately 50 square miles,

[*] *Preliminary; subject to change.*

including unincorporated portions of the County and serves the communities of Occidental, Camp Meeker, Bodega and Freestone.

The District currently operates one elementary school, Harmony Elementary School, serving transitional kindergarten, kindergarten and first grade. The District also sponsors an independent charter school, Pathways Charter School, serving kindergarten through twelfth grade and a dependent charter school, Salmon Creek School, serving second through eighth grade. Total enrollment for Harmony Elementary School and Salmon Creek School for fiscal year 2019-20 was approximately 227 students and is projected to be 194 students in fiscal year 2020-21.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

For specific information on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic (i) on the security and source of payment for the Series C Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS – Assessed Valuation of Property Within the District" and "– Tax Charges and Delinquencies," (ii) on the District's operations and finances, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak,*" and (iii) on the fiscal year 2020-21 State budget, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *2020-21 State Budget*."

THE SERIES C BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series C Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on December 14, 2020 (the "Resolution").

Purpose. At an election held on June 5, 2018, the District received authorization under Measure C to issue general obligation bonds of the District in an aggregate principal amount not to exceed $9,600,000 to improve facilities at Harmony and Salmon Creek Schools, repair/replace leaky roofs, improve energy efficiency, and construct/renovate/modernize classrooms, restrooms and school facilities under an environmental sustainability facilities plan (collectively, the "2018 Authorization"). Measure C received the required approval of at least 55% of the votes cast by eligible voters within the District and received an approval of approximately 65.6%. The Series C Bonds represent the third and final series of authorized bonds to be issued under the 2018 Authorization and will be issued to (i) finance authorized projects under an environmental sustainability facilities plan (as described more fully below) and (ii) pay costs of issuance with respect to the Series C Bonds. See "–Application and Investment of Series C Bond Proceeds."

Prior to the issuance of the Series C Bonds, the District has $3,100,000 aggregate principal amount remaining that is authorized but unissued under the 2018 Authorization.

Environmental Sustainability Facilities Plan. The District prides itself on its green, sustainable and environmentally conscious facilities and campus, and is committed to using environmentally conscious planning strategies and materials in connection with school facilities projects undertaken under the 2018 Authorization. As part of the District's environmental sustainability facilities plan outlined to the voters in

Measure C, the District plans, where practical and economically feasible, to incorporate environmentally conscious planning strategies and materials into the specific school facilities projects the District finances with proceeds of the bonds issued under the 2018 Authorization, including the Series C Bonds, and to complete such school facilities projects in a manner in which such projects are green, sustainable, and/or environmentally conscious. To this end, the Board of Trustees of the District will pursue environmentally conscious and sustainable planning, design, and construction strategies, including the selection of environmentally conscious materials, while balancing the need for each project, project cost and overall efficiency.

Form and Registration

The Series C Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series C Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series C Bonds. Purchases of Series C Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series C Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series C Bonds, beneficial owners of the Series C Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series C Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement. Interest on the Series C Bonds maturing on and after August 1, 2023 (the "Tax-Exempt Bonds") is payable on February 1 and August 1 of each year (each, a "Tax-Exempt Interest Payment Date"), commencing on August 1, 2021. Interest on the Series C Bonds maturing on April 1, 2021 (the "Federally Taxable Bonds") is payable at maturity (the "Taxable Interest Payment Date" and together with the Tax-Exempt Interest Payment Dates, the "Interest Payment Dates"). Interest on the Series C Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series C Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Series C Bond (the "Record Date") and on or prior to the succeeding Interest Payment Date for such Series C Bond, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Series C Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series C Bond, interest is in default on any outstanding Series C Bonds, such Series C Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series C Bonds.

Payment of Series C Bonds. The principal of the Series C Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series C Bonds is payable in lawful money of the United States of America by check or draft mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made

by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series C Bonds who have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series C Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption[*]

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

Mandatory Sinking Fund Redemption. The $_____ term Series C Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
	$
†	

† Maturity.

The principal amount of the $_____ term Series C Bonds maturing on August 1, 2035, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series C Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $_____ term Series C Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
	$
†	

† Maturity.

[*] *Preliminary; subject to change.*

The principal amount of the $_____ term Series C Bonds maturing on August 1, 20__ to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series C Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series C Bonds for Redemption. If less than all of the Series C Bonds are called for redemption, the Series C Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series C Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Series C Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series C Bond will be deemed to consist of individual Series C Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of any redemption of the Series C Bonds will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series C Bonds. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption is to contain the following information: (i) the date of such notice; (ii) the name of the Series C Bonds and the date of issue of such Series C Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series C Bonds to be redeemed; (vi) if less than all of the Series C Bonds of any maturity are to be redeemed the distinctive numbers of the Series C Bonds of each maturity to be redeemed; (vii) in the case of Series C Bonds redeemed in part only, the respective portions of the principal amount of the Series C Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series C Bonds to be redeemed; (ix) a statement that such Series C Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series C Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series C Bond or by any securities depository or information service of notice of redemption will not be a condition precedent to redemption. Neither the failure to receive such notice of redemption, nor any defect in such notice is to affect the sufficiency of the proceedings for the redemption of such Series C Bonds called for redemption or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above, and when the redemption price of the Series C Bonds called for redemption is set aside for the purpose of redeeming the Series C Bonds, the Series C Bonds designated for redemption shall become due and payable on the specified redemption date and interest ceases to accrue thereon as of the redemption date, and upon presentation and surrender of such Series C Bonds at the place specified in the notice of redemption, such Series C Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series C Bonds so called for redemption after such redemption date are entitled to the payment of such Series C Bonds and the redemption premium thereon, if any, only from monies on deposit in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series C Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series C Bonds so called for redemption. Any optional redemption and notice thereof may be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series C Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series C Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Series C Bonds there is to be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution, provided, the Series C Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series C Bonds to be redeemed upon presentation and surrender of such Series C Bonds, provided that all monies in the Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series C Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Series C Bonds, the monies are to be held in or returned or transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series C Bonds

The District may pay and discharge any or all of the Series C Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money and/or non-callable direct obligations of the United States of America (including zero interest-bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series C Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Monies

Any money held in any fund created pursuant to the Resolution or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series C Bonds and remaining unclaimed for two years after the principal of all of the Series C Bonds has become due and payable (whether by maturity or upon prior redemption) is to be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from such fund; or, if no such bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series C Bond Proceeds

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

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds, Election of 2018, Series C

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series C Bonds	$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Building Fund	$
Costs of Issuance[(1)]	
Underwriter's Discount	
Deposit to Interest and Sinking Fund[(2)]	
Total Uses of Funds	$

[(1)] Includes legal fees, municipal advisor fees, rating agency fees, printing fees and other miscellaneous expenses.
[(2)] Consists of premium received by the District.

Under California law, all money received by or apportioned to a school district must generally be paid into and held in the County treasury. The proceeds from the sale of the Series C Bonds, less amounts necessary to pay costs of issuance, exclusive of any premium and accrued interest received by the District, will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and will be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds will be applied solely for the purposes for which the Series C Bonds were authorized. Any premium or accrued interest on the Series C Bonds received by the District will be deposited in the Interest and Sinking Fund in the County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E − "SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund of the District may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series C Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Debt service on the Series C Bonds, assuming no early redemptions, is as set forth in the following table.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds, Election of 2018, Series C[(1)]

Year Ending August 1,	Principal	Interest	Total 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:	$	$	$

(1) The Federally Taxable Bonds mature on April 1, 2021, and interest on the Federally Taxable Bonds is due at maturity. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. Interest on the Tax-Exempt Bonds is payable on February 1 and August 1 of each year, commencing on August 1, 2021.

Source: The Underwriter.

Outstanding Bonds

In addition to the Series C Bonds, the District has three series of general obligation bonds outstanding, which are secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series C Bonds.

1997 Authorization. The District received authorization at an election held on November 4, 1997, to issue bonds of the District in an aggregate principal amount not to exceed $1,850,000 to construct, improve, renovate and acquire school facilities, for such purposes as a multi-use building at Salmon Creek Middle School providing space for athletics, drama, after-school and community use, upgrading the interior of Harmony School and providing drainage and roof improvements, and installing wiring to accommodate computer technology at both schools. The measure required approval by at least two-thirds of the votes cast by eligible voters within the District (the "1997 Authorization"). On March 18, 1998, the County, at the request of the District, issued the Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 1997, Series 1998 (the "Series 1998 Bonds"), in an aggregate principal amount of $1,850,000 as its first and only series of bonds issued under the 1997 Authorization.

On November 4, 2013, the District issued the Harmony Union School District (County of Sonoma, California) General Obligation Refunding Note in the form of a private placement with J.P. Morgan Chase Bank, N.A., in the aggregate principal amount of $960,000 (the "2013 Refunding Notes") to defease the outstanding Series 1998 Bonds.

2018 Authorization. On September 13, 2018, the District issued $3,500,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series A (the "Series A Bonds") as its first series of bonds to be issued under the 2018 Authorization. On March 5, 2020, the District issued $3,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series B (the "Series B Bonds") as its second series of bonds to be issued under the 2018 Authorization. Prior to the issuance of the Series C Bonds, the District has $3,100,000 aggregate principal amount remaining that is authorized but unissued under the 2018 Authorization.

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Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds and general obligation notes of the District, assuming no early optional redemption or optional prepayment, as applicable.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds and Notes − Aggregate Debt Service

Year Ending August 1,	2013 Refunding Notes	Series A Bonds	Series B Bonds	Series C Bonds	Aggregate Total Debt Service
2021	$104,900.00	$ 131,925.00	$ 270,000.00	$	$
2022	102,450.00	131,925.00	219,600.00		
2023	-	131,925.00	80,550.00		
2024	-	131,925.00	80,550.00		
2025	-	131,925.00	80,550.00		
2026	-	131,925.00	80,550.00		
2027	-	131,925.00	80,550.00		
2028	-	131,925.00	80,550.00		
2029	-	176,925.00	115,550.00		
2030	-	185,125.00	119,500.00		
2031	-	192,925.00	123,300.00		
2032	-	195,325.00	131,950.00		
2033	-	202,525.00	135,300.00		
2034	-	209,325.00	138,500.00		
2035	-	220,725.00	141,550.00		
2036	-	226,525.00	149,450.00		
2037	-	231,925.00	152,050.00		
2038	-	240,362.50	159,500.00		
2039	-	248,012.50	166,650.00		
2040	-	259,875.00	168,500.00		
2041	-	270,687.50	175,200.00		
2042	-	275,450.00	181,600.00		
2043	-	288,100.00	187,700.00		
2044	-	295,050.00	198,500.00		
2045	-	306,475.00	203,850.00		
2046	-	317,200.00	208,900.00		
2047	-	327,225.00	218,650.00		
2048	-	341,550.00	222,950.00		
2049	-	-	581,950.00		
2050	-	-	-		
Total:	$207,350.00	$ 6,066,712.50	$4,854,000.00	$	$

(1) The Federally Taxable Bonds mature on April 1, 2021. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.
Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series C Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series C Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series C Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Series C Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of ad valorem property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Series C Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of the Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds

secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. Both the county auditor-controller and the county treasurer-tax collector have accounting responsibilities related to the collecting of the property taxes. Once collected, the county auditor-controller apportions and distributes the taxes to the various taxing entities and related funds and accounts. The county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as ex officio treasurer of the school district.

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2020-21 assessed value of $1,246,989,902. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "*–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell

that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2001-02 through 2020-21, each as of the date the equalized assessment roll is established in August of each year.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Assessed Valuations
Fiscal Years 2001-02 through 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total
2001-02	$453,379,309	$0	$3,267,905	$456,647,214
2002-03	496,275,375	0	3,547,704	499,823,079
2003-04	532,536,680	0	3,265,868	535,802,548
2004-05	576,160,599	0	3,479,786	579,640,385
2005-06	629,306,636	0	3,543,255	632,849,891
2006-07	683,944,325	0	4,344,154	688,288,479
2007-08	749,318,252	0	3,796,984	753,115,236
2008-09	805,635,818	0	4,058,136	809,693,954
2009-10	835,463,701	0	4,466,121	839,929,822
2010-11	807,918,297	0	4,079,526	811,997,823
2011-12	790,766,037	0	4,405,547	795,171,584
2012-13	809,168,832	0	4,747,900	813,916,732
2013-14	829,782,884	0	4,780,494	834,563,378
2014-15	862,181,150	0	6,864,172	869,045,322
2015-16	940,275,618	0	7,843,412	948,119,030
2016-17	1,012,348,336	0	6,295,354	1,018,643,690
2017-18	1,065,583,394	0	6,262,714	1,071,846,108
2018-19	1,122,719,021	0	6,755,823	1,129,474,844
2019-20	1,185,525,561	0	7,238,458	1,192,764,019
2020-21	1,239,737,901	0	7,252,001	1,246,989,902

Source: California Municipal Statistics, Inc.

Currently, a single taxpayer owns real property that comprises approximately 2.13% of the fiscal year 2020-21 assessed value of local secured property within the District. See *"– Largest Fiscal Year 2020-21 Local Secured Taxpayers"* below.

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

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including an earthquake, or a depressed real estate market due to general economic conditions in the County, the region, and the State. With the outbreak of COVID-19, the world is currently experiencing a global pandemic. The pandemic may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*."

Risk of Earthquake. The District is located in a seismically active region. The notable earthquake faults include the San Andreas and Hayward faults. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake.

Risk of Drought. In recent years California has experienced severe drought conditions. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "State Water Board") subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. In recent years, portions of California, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the Central LNU Complex Fire, Mendocino Complex Fire, Kincade Fire, LNU Lightening Complex Fire, August Complex Fire and Glass Fire. In October 2017, the Central LNU Complex Fire burned approximately 110,720 acres of land in the County and adjacent Napa County and damaged 491 structures, destroyed 6,997 structures and caused 25 fatalities according to the California Department of Forestry and Fire Protection ("Cal Fire"). In July 2018, the Mendocino Complex Fire burned approximately 459,123 acres of land in the adjacent counties of Colusa, Glenn, Lake and Mendocino and destroyed 299

structures, caused 3 injuries and caused 1 fatality according to Cal Fire. In October 2019, the Kincade Fire burned approximately 77,758 acres of land in the County and damaged 60 structures, destroyed 374 structures and caused 4 injuries according to Cal Fire. In August 2020, the LNU Lightening Complex Fire burned approximately 363,220 acres of land in the County and the adjacent counties of Lake, Napa, Solano and Yolo and damaged 232 structures, destroyed 1,491 structures, caused 5 injuries and caused 4 fatalities according to Cal Fire. In August 2020, the August Complex Fire burned approximately 1,032,648 acres of land in the adjacent counties of Colusa, Glenn, Humboldt, Lake, Mendocino, Tehama and Trinity and damaged 6 structures, destroyed 935 structures, caused 2 injuries and caused 31 fatalities according to the United States Forest Service. In September 2020, the Glass Fire burned approximately 67,484 acres of land in the County and adjacent Napa County and damaged 282 structures and destroyed 1,555 structures according to Cal Fire. Within the boundaries of the District, no property was damaged or destroyed by the Central LNU Complex Fire, Mendocino Complex Fire, Kincade Fire, LNU Lightening Complex Fire, August Complex Fire and Glass Fire or other recent wildfires. Further, no District facilities were damaged or destroyed by the Central LNU Complex Fire, Mendocino Complex Fire, Kincade Fire, LNU Lightening Complex Fire, August Complex Fire and Glass Fire or other recent wildfires. It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer

price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2020-21 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $15.50 million and its net bonding capacity is approximately $9.01 million (taking into account current outstanding debt before the issuance of the Series C Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by jurisdiction in the County for fiscal year 2020-21. All of the property in the District resides in the unincorporated portions of the County.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2020-21 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
Unincorporated Sonoma County	$1,246,989,902	100.00%	$40,090,131,136	3.11%
Total District	$1,246,989,902	100.00%		
Sonoma County	$1,246,989,902	100.00%	$99,119,807,601	1.26%

Source: California Municipal Statistics Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2020-21 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2020-21 Assessed Valuation and Parcels by Land Use

	2020-21 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 283,714,776	22.89%	809	30.11%
Commercial/Office	13,119,335	1.06	38	1.41
Vacant Commercial	17,349	0.00	3	0.11
Hotel/Motel/Inn	10,768,329	0.87	6	0.22
Industrial/Winery	23,705,436	1.91	3	0.11
Recreational	2,611,738	0.21	14	0.52
Government/Social/Institutional	188,037	0.02	9	0.33
Miscellaneous	93,988	0.01	15	0.56
Subtotal Non-Residential	$ 334,218,988	26.96%	897	33.38%
Residential:				
Single Family Residence	$ 890,555,811	71.83%	1,641	61.07%
Condominium	4,392,773	0.35	13	0.48
2-4 Residential Units	7,287,799	0.59	20	0.74
Vacant Residential	3,282,530	0.26	116	4.32
Subtotal Residential	$ 905,518,913	73.04%	1,790	66.62%
Total	$1,239,737,901	100.00%	2,687	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2020-21, including the average and median per parcel assessed value.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2020-21 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,641	$890,555,811	$542,691	$400,000

2020-21 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	93	5.667%	5.667%	$ 2,290,208	0.257%	0.257%
$50,000 - $99,999	114	6.947	12.614	8,583,302	0.964	1.221
$100,000 - $149,999	126	7.678	20.293	15,724,615	1.766	2.987
$150,000 - $199,999	106	6.459	26.752	18,530,130	2.081	5.067
$200,000 - $249,999	96	5.850	32.602	21,448,080	2.408	7.476
$250,000 - $299,999	112	6.825	39.427	30,747,972	3.453	10.928
$300,000 - $349,999	92	5.606	45.034	29,764,092	3.342	14.271
$350,000 - $399,999	80	4.875	49.909	29,819,395	3.348	17.619
$400,000 - $449,999	72	4.388	54.296	30,534,948	3.429	21.048
$450,000 - $499,999	56	3.413	57.709	26,550,386	2.981	24.029
$500,000 - $549,999	58	3.534	61.243	30,557,053	3.431	27.460
$550,000 - $599,999	57	3.473	64.717	32,720,607	3.674	31.135
$600,000 - $649,999	46	2.803	67.520	28,675,356	3.220	34.355
$650,000 - $699,999	51	3.108	70.628	34,365,558	3.859	38.213
$700,000 - $749,999	43	2.620	73.248	31,175,565	3.501	41.714
$750,000 - $799,999	49	2.986	76.234	38,154,246	4.284	45.998
$800,000 - $849,999	52	3.169	79.403	43,100,800	4.840	50.838
$850,000 - $899,999	50	3.047	82.450	43,705,280	4.908	55.746
$900,000 - $949,999	48	2.925	85.375	44,340,817	4.979	60.725
$950,000 - $999,999	24	1.463	86.837	23,343,384	2.621	63.346
$1,000,000 and greater	216	13.163	100.000	326,424,017	36.654	100.000
Total	1,641	100.000%		$890,555,811	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2020-21 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Largest Fiscal Year 2020-21 Local Secured Taxpayers

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	Percent of Total[(1)]
1.	Joseph Phelps Vineyards LLC	Winery	$ 26,400,924	2.13%
2.	Andrew M. & Ria J. Lee Trust	Agricultural	6,945,697	0.56
3.	Lawrence L. Brooke	Residential	6,927,565	0.56
4.	AR Sonoma LLC	Bed & Breakfast Inn	5,994,150	0.48
5.	Marimar Torres Trust	Agricultural	5,676,502	0.46
6.	Todd K. & Candice West Barker	Agricultural	5,518,598	0.45
7.	Kistler Vineyards LLC	Vineyards	5,157,089	0.42
8.	Eric J. Sussman Trust	Agricultural	4,975,273	0.40
9.	Jackson Family Investments III LLC	Vineyards	4,894,907	0.39
10.	Teresa Rudman Trust	Residential	4,585,612	0.37
11.	Perry & Melanie Karsen Trust	Residential	4,452,813	0.36
12.	Bohemia Preserve LLC	Agricultural	4,450,861	0.36
13.	Scott O. Bergren Trust	Agricultural	4,154,351	0.34
14.	William L. & Elizabeth H. Robbins	Vineyards	4,086,508	0.33
15.	Michael Ellis and Joyce Marie Kuchar Trust	Residential	4,000,000	0.32
16.	Aesculus Partners LLC	Agricultural	3,974,900	0.32
17.	Charles R. & Stacy S. Coon Trust	Residential	3,901,961	0.31
18.	P & M Vineyards Holdings LLC	Vineyards	3,889,364	0.31
19.	James W. & Laura Jean Young Trust	Residential	3,850,000	0.31
20.	Peter R. & Jayne Hamel Trust	Residential	3,847,578	0.31
			$117,684,653	9.49%

(1) Fiscal year 2020-21 local secured assessed valuation: $1,239,737,901.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. As shown above, a single taxpayer owns real property that comprises approximately 2.13% of the fiscal year 2020-21 assessed value of local secured property within the District. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"–Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness.

The rate of tax necessary to pay fixed debt service on the Series C Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series C Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values,

reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series C Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District (TRA 96-040). The assessed valuation for this tax rate area for fiscal year 2020-21 is $326,717,559, which comprises approximately 26.20% of the total assessed value of taxable property in the District.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 96-040)
Fiscal Years 2016-17 through 2020-21

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
General Tax Rate	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Warm Springs Dam Debt Service	0.00700	0.00700	0.00700	0.00700	.00700
Palm Drive Health Care District	0.00520	0.00520	0.00520	0.00300	.00300
Harmony Union School District Bond	0.01000	0.00900	0.03600	0.03400	.03200
West Sonoma Union High School District Bond	0.01750	0.01700	0.04850	0.04650	.04400
Sonoma County Joint Community College District Bond	0.04000	0.03700	0.03600	0.03700	.03700
Total	$1.07970	$1.07520	$1.13270	$1.12750	$1.12300

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2018 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2018 Authorization will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series C Bonds, the District projects that the maximum tax rate required to repay the Series C Bonds, and all other outstanding bonds approved under the 2018 Authorization, will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors of the County to levy taxes at such rate as may be necessary to pay debt service on the Series C Bonds and any other series of bonds issued under the 2018 Authorization in each year.

Tax Charges and Delinquencies

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

The County Treasurer prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to

unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the County Treasurer. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

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

In light of the financial hardship that many taxpayers are experiencing due to COVID-19 and the related recession, the Governor issued Executive Order N-61-20, which suspends, until May 6, 2021, the statutory requirements for the imposition of penalties, costs, and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill provided certain conditions are met. One such condition is that the taxpayer timely files a claim for relief in a form and manner prescribed by the County Treasurer. While the District cannot predict the extent of delinquencies and delayed tax collections or the resulting impact on the District's financial condition or operations, the County has adopted the Teeter Plan (defined herein) according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. See "– *Teeter Plan*" below. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*."

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *Infectious Disease Outbreak*." If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The real property tax charges and corresponding delinquencies for the 1% general fund apportionment, with respect to the property located in the County, and for the District's general obligation bond debt service levy, with respect to the property located in the District for fiscal years 2018-19 and 2019-20 are set forth below. Prior to fiscal year 2018-19, the County did not provide information with respect to the real property tax charges and corresponding delinquencies for the 1% general fund apportionment, with respect to property located in the County, or for the District's general obligation bond debt service levy, with respect to the property located in the District. See "– *Teeter Plan*" below.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2018-19 and 2019-20

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2018-19	$1,508,337.41	$11,369.54	0.75%
2019-20	1,595,355.81	17,871.32	1.12

	Secured Tax Charge[(2)]	Amount Delinquent June 30	% Delinquent June 30
2018-19	$403,360.51	$5,532.58	1.37%
2019-20	402,352.26	9,576.02	2.38

(1) 1% general fund apportionment.
(2) District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district general obligation bonds.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors of the County to discontinue the Teeter Plan.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective December 8, 2020 for debt outstanding as of December 1, 2020. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Statement of Direct and Overlapping Bonded Debt

December 8, 2020

2020-21 Assessed Valuation: $1,246,989,902

	% Applicable	Debt 12/1/20
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Sonoma County Joint Community College District	1.248%	$ 4,445,438
West Sonoma County Union High School District	11.629	7,064,373
Harmony Union School District	100.000	6,485,000[(1)]
Palm Drive Healthcare District	10.966	1,876,283
Occidental Sanitation District	100.000	58,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$19,929,094
OVERLAPPING GENERAL FUND DEBT:		
Sonoma County General Fund Obligations	1.258%	$ 154,432
Sonoma County Pension Obligation Bonds	1.258	3,606,560
Sonoma County Office of Education Certificates of Participation	1.258	44,201
West Sonoma County Union High School District	11.629	105,181
West County Transportation Authority	1.360	138,992[(2)]
Bodega Bay Fire Protection District Certificates of Participation	0.753	6,250
TOTAL OVERLAPPING GENERAL FUND DEBT		$ 4,055,616
COMBINED TOTAL DEBT		$23,984,710[(3)]

Ratios to 2020-21 Assessed Valuation:

Direct Debt ($6,485,000) 0.52%
Total Direct and Overlapping Tax and Assessment Debt 1.60%
Combined Total Debt..... 1.92%

(1) Excludes the Series C Bonds.

(2) West County Transportation Agency 2017 Bonds (Transportation Facility Project). The District has agreed to make certain payments to the West County Transportation Agency. The West County Transportation Agency has pledged these payments to repay the bonds. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Debt – *West County Transportation Agency*" herein for more information.

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Tax-Exempt Bonds is less than the amount to be paid at maturity of such Tax-Exempt Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Tax-Exempt Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt Bonds accrues daily over the term to maturity of such Tax-Exempt Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt Bonds. Beneficial Owners of the Tax-Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Tax-Exempt Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt Bonds is sold to the public.

Tax-Exempt Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not

occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

Federally Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Federally Taxable Bonds is exempt from State of California personal income taxes. Bond counsel observes that interest on the Federally Taxable Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount,

accrual, or receipt of interest on, the Federally Taxable Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix C hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Federally Taxable Bonds that acquire their Federally Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Federally Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Federally Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Federally Taxable Bonds pursuant to this offering for the issue price that is applicable to such Federally Taxable Bonds (i.e., the price at which a substantial amount of the Federally Taxable Bonds are sold to the public) and who will hold their Federally Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Federally Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Federally Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Federally Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Federally Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Federally Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Federally Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Federally Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Federally Taxable Bond.

Sale or Other Taxable Disposition of the Federally Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Federally Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Federally Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Federally Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Federally Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Federally Taxable Bond, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Federally Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Federally Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Federally Taxable Bonds. If the District defeases any Federally Taxable Bond, the Federally Taxable Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Federally Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Federally Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Federally Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Federally Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Federally Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Federally Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Federally Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Federally Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Federally Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Federally Taxable Bond) or other disposition of a Federally Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Federally Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Federally Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Federally Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Federally Taxable Bond or a financial institution holding the Federally Taxable Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance,

failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Federally Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Federally Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Federally Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series C Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series C Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Jones Hall, A Professional Corporation, San Francisco, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series C Bonds are legal investments for commercial banks in California to the extent that the Series C 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 Series C Bonds are eligible securities for deposit of public monies in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series C Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for fiscal year 2020-21 (which is due no later than April 1, 2022) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District's dissemination agent in connection with each of the District's prior continuing disclosure undertakings pursuant to the Rule

and will serve as dissemination agent in connection with the continuing disclosure undertaking to be entered into relating to the Series C Bonds.

The continuing disclosure undertakings under the Continuing Disclosure Certificate are the obligation of the District. The County shall not have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure. The County has not reviewed nor is it responsible for the content of the Official Statement.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series C Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series C Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series C Bonds or District officials who will sign certifications relating to the Series C Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series C Bonds.

The District is occasionally 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.

Bank Qualified

The District has designated the Series C Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

MISCELLANEOUS

Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, has assigned a rating of "AA+" to the Series C Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series C Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series C Bonds. Neither the Underwriter (defined below) nor the District has undertaken any responsibility after the offering of the Series C Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series C Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series C Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series C Bonds. Jones Hall, A Professional Law Corporation, is acting as counsel to the Underwriter with respect to the Series C Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter are also contingent upon the sale and delivery of the Series C Bonds.

Underwriting

The Series C Bonds are being purchased for reoffering to the public by RBC Capital Markets, LLC (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on _____, 2021 (the "Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Series C Bonds at a price of $_____ (which represents the aggregate principal amount of the Series C Bonds, [plus/less] [net] original issue [premium/discount] of $_____, and less underwriter's discount in the amount of $_____). The Purchase Agreement provides that the Underwriter will purchase all of the Series C Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series C Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series C Bonds. Quotations from and summaries and explanations of the Series C Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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

The District has duly authorized the delivery of this Official Statement.

HARMONY UNION SCHOOL DISTRICT

By:_____
Superintendent/Principal

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Harmony Union School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series C Bonds is payable from the general fund of the District or from State revenues. The Series C Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Sonoma on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series C Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established in 1953 and is located in the County of Sonoma (the "County"), approximately 60 miles north of San Francisco. The District encompasses approximately 50 square miles, including unincorporated portions of the County and serves the communities of Occidental, Camp Meeker, Bodega and Freestone.

The District currently operates one elementary school, Harmony Elementary School, serving transitional kindergarten, kindergarten and first grade. The District also sponsors an independent charter school, Pathways Charter School, serving kindergarten through twelfth grade and a dependent charter school, Salmon Creek School, serving second through eighth grade. Total enrollment for Harmony Elementary School and Salmon Creek School for fiscal year 2019-20 was approximately 227 students and is projected to be 194 students in fiscal year 2020-21.

Board of Trustees

The District is governed by a Board of Trustees (the "Board of Trustees") consisting of five members, each of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. Each December, the Board of Trustees elects a President and Clerk to serve one-year terms. The name, office and the month and year of the expiration of the term of each member of the Board of Trustees is described below.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)

Board of Trustees

Name	Office	Term Expires
Mariah Lander	President	December 2024
Yuri Koslen	Clerk	December 2024
Steve Bair	Member	December 2022
Charlie Laird	Member	December 2022
Amanda Solter	Member	December 2024

Superintendent/Principal and Chief Business Officer

The Superintendent/Principal and Chief Business Officer of the District are appointed by the Board of Trustees. The Superintendent/Principal reports directly to the Board of Trustees. The Chief Business Officer reports directly to the Superintendent. The Superintendent/Principal is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The

current Superintendent/Principal, Matthew Morgan, has served in this position since July 1, 2019. The Chief Business Officer is responsible for management of the District's finances and business operations. Ms. Stacy Kalember has served as Chief Business Officer since June 1, 2019.

Cybersecurity

The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Within the past five years, the District has not experienced a cybersecurity attack. The District does not maintain cybersecurity insurance, but the District has implemented security requirements on all devices to provide greater projection.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "– *Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects it will receive approximately 70.18% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $3.40 million in fiscal year 2020-21. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "*–Allocation of State Funding to School Districts; Local Control Funding Formula*," "*–Attendance and LCFF*" and "Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– *Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district

budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2020-21 State budget on June 29, 2020.

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

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

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

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

have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State is doing in fiscal years 2019-20 and 2020-21 (see – "*2020-21 State Budget*" below for further information); by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series C Bonds, and the District takes no responsibility for informing owners of the Series C Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2020-21 State Budget. The Governor signed the fiscal year 2020-21 State Budget (the "2020-21 State Budget") on June 29, 2020. According to the State, the economic impact of the COVID-19 pandemic has resulted in a $54.3 billion budget deficit, which the State is addressing through the following measures:

- Reserves. The 2020-21 State Budget draws down $8.8 billion in reserves, including $7.8 billion from the Rainy Day Fund, $450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account.

- Trigger. The 2020-21 State Budget includes $11.1 billion in reductions and deferrals that will be restored if federal legislation providing for at least $14 billion in federal funds is passed by the United States Congress and signed by the President, and such funds are received by October 15, 2020. If the State receives a lesser amount between $2 billion and $14 billion, the reductions and deferrals will be partially restored. The trigger includes $6.6 billion in deferred spending on schools, approximately $970 million in funding for the University of California and the California State University, $2.8 billion for state employee compensation, $150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional $250 million for county programs to backfill revenue losses. If the federal government does not provide funds in fiscal year 2020-21, the deferrals provided in the 2020-21 State Budget may create a larger budget shortfall in subsequent fiscal years. A larger budget shortfall in subsequent years may result in continuing deferrals until the State is able to fully fund its current year education obligations in a single budget year.

- Federal Funds. The 2020-21 State Budget relies on $10.1 billion in federal funds that provide general fund relief, including $8.1 billion already received. This includes the enhanced Federal

Medical Assistance Percentage, a portion of the State's allocation from the federal Coronavirus Relief Fund and funds provided for childcare programs.

- Revenues. The 2020-21 State Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate $4.4 billion in new revenues in fiscal year 2020-21.

- Borrowing/Transfers/Deferrals. The 2020-21 State Budget relies on $9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 school districts.

- Cancelled Expansions, Updated Assumptions and Other Solutions. The 2020-21 State Budget includes $10.6 billion of other solutions for addressing the budget deficit, such as cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues, and lower health and human services caseload costs that previously estimated.

Because of such measures described above, the 2020-21 State Budget is a balanced budget for fiscal year 2020-21 that projects approximately $137.7 billion in revenues, $88.8 billion in non-Proposition 98 expenditures and $45.1 billion in Proposition 98 expenditures. The 2020-21 State Budget sets aside $2.6 billion in the Special Fund for Economic Uncertainties, and it includes total funding of $98.8 billion ($48.1 billion general fund and $50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimates the Proposition 98 minimum guarantee at $78.5 billion in fiscal year 2018-19, $77.7 billion in fiscal year 2019-20, and $70.9 billion in fiscal year 2020-21. The reduction in Proposition 98 funding will result in per pupil spending of $10,654 in fiscal year 2020-21, a $1,339 reduction from fiscal year 2019-20.

The 2020-21 State Budget offsets such reduction in Proposition 98 funding in several ways, including the following:

- Local Control Funding Formula Deferrals. As a result of the COVID-19 pandemic, $1.9 billion in LCFF apportionments in fiscal year 2019-20 were deferred until fiscal year 2020-21, and the 2020-21 State Budget provides that apportionment deferrals in fiscal year 2020-21 will grow to $11 billion. Such deferrals allow LCFF funding to remain at fiscal year 2019-20 levels in both fiscal years. The 2020-21 State Budget suspends the statutory LCFF cost-of-living adjustment in fiscal year 2020-21. The 2020-21 State Budget provides that $5.8 billion of deferrals will be triggered off in fiscal year 2020-21 if sufficient federal funding is provided that can be used for such purpose.

- Learning Loss Mitigation. Additionally, the 2020-21 State Budget includes a one-time investment of $5.3 billion (comprised of $4.4 billion from the federal Coronavirus Relief Fund, $589.9 million in Proposition 98 general fund resources, and $355.2 from the federal Governor's Emergency Education Relief Fund) to local education agencies to address learning loss resulting from school closures. To ensure that those local educational agencies serving students most affected by the COVID-19 pandemic receive additional funding, the 2020-21 State Budget will allocate $2.9 billion of such funds based on the LCFF supplemental and concentration grant allocation, $1.5 billion of such funds based on the number of students with exceptional needs, and $979.8 million of such funds based on the total LCFF allocation.

- Supplemental Appropriations. In fiscal years 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately $12.4 billion. To accelerate the recovery from such funding reduction, the 2020-21 State Budget provides supplemental appropriations above the required Proposition 98 funding level, beginning in fiscal year 2021-22,

and in each of the next several fiscal years, in an amount equal to 1.5% of general fund revenues, up to a total of $12.4 billion.

- Revised CalPERS and CalSTRS Contributions. To provide immediate and long-term relief to school districts facing rising pension costs, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019-20 State Budget to California State Teachers' Retirement System ("CalSTRS") and the California Public Employees' Retirement System ("CalPERS") for long-term unfunded liabilities to instead reduce employer contribution rates in fiscal years 2020-21 and 2021-22. Such reallocation will reduce the CalSTRS employer contribution rate from 18.41% to approximately 16.15% in fiscal year 2020-21 and from 17.9% to 16.02% in fiscal year 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in fiscal year 2020-21 and from 24.6% to 22.84% in fiscal year 2021-22.

- Federal Funds. In addition to the federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund allocations described above, the 2020-21 State Budget includes $1.6 billion in federal Secondary School Emergency Relief funds. Of this amount, $1.5 billion will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive and may be used for costs relating to the COVID-19 pandemic. Of the remaining $164.7 million, $112.2 million will be used to provide up to $0.75 per meal for local educational agencies participating in certain school meal programs and serving meals between March 2020 and August 2020 due to school closures, $45 million will be used for grants to local educational agencies to increase access to health, mental health, and social service supports for high-need students, $6 million will be used to provide educator professional development for providing high quality distance learning, and $1.5 million will be used for State Department of Education costs associated with the COVID-19 pandemic.

- Temporary Revenue Increases. As described above, the 2020-21 State Budget includes a temporary three-year suspension of net operating losses, and a limitation on business incentive tax credits to offset no more than $5 million of tax liability per year. These temporary changes, along with other tax changes, will generate additional general fund revenues, approximately $1.6 billion of which will benefit the Proposition 98 guarantee.

- Special Education. The 2020-21 State Budget provides for increased special education base rates of $625 per pupil pursuant to a new funding formula. The 2020-21 State Budget also includes $100 million to increase funding for students with low-incidence disabilities, $15 million in federal Individuals with Disabilities Education Act ("IDEA") funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, $8.6 million in IDEA funds to assist local educational agencies to develop regional alternative dispute resolution services and statewide mediation services, and $1.1 million in IDEA funds to study the current special education governance and accountability structure.

- Average Daily Attendance and Distance Learning. The 2020-21 State Budget assumes that local educational agencies will provide in-classroom instruction during the 2020-21 school year, but recognizes that public health officials may require school closures. To ensure funding stability regardless of instructional model, the 2020-21 State Budget includes a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, and it provides that average daily attendance will be based on the 2019-20 school year. The 2020-21 State Budget also includes requirements for distance learning services in the event of school closures.

- Employee Protections. The 2020-21 State Budget suspends layoffs of non-management certificated staff during fiscal year 2020-21 and classified staff who hold positions in nutrition,

transportation, or custodial services during fiscal year 2020-21. The 2020-21 State Budget includes $60 million Proposition 98 general fund resources to provide a match of State funds for participating classified employees to be paid during the summer recess period. The 2020-21 State Budget also states that it is the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in fiscal year 2020-21.

The complete 2020-21 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control, including but not limited to the COVID-19 pandemic. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal years 2020-21 and 2021-22 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series C Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series C Bonds.

School District Reserves. As described above, the State is accessing its reserves to mitigate the budget shortfall in fiscal year 2020-21, including drawing down all of the funds in the Public School System Stabilization Account. See "- *2020-21 State Budget*." In order to mitigate some of the reductions in State revenue based on the 2020-21 State Budget, school districts may choose to access their local reserves. The District, which has an A.D.A. of less than 1,000, is required to maintain a reserve for economic uncertainty in an amount equal to 5% of its general fund expenditures and other financing uses. At the direction of the Board of Trustees, the District also maintains an additional $2.4 million reserve to stabilize its budget in the event of any shortfall in revenues. At the time of preparation of the District's first interim report for fiscal year 2020-21, the District projects it will meet the 5% statutory reserve requirement in fiscal years 2020-21 through 2022-23. Based on the District's first interim report for fiscal year 2020-21, the District projects it may need to access its reserves in fiscal years 2020-21 and 2022-23 to meet its obligations.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property

taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

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

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

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2020-21, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,503 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,818 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $8,050 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,572 per A.D.A. for grades 9 through

12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The 2020-21 State Budget suspends the statutory cost-of-living adjustment in fiscal year 2020-21. For more information, see "*–2020-21 State Budget*."

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

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

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

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

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "Collaborative"), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

In response to the COVID-19 pandemic and the unique conditions under which many school districts are operating, Senate Bill 98, a budget trailer bill adopted in connection with the 2020-21 State Budget, revises certain annual LCAP requirements, removes the requirement for a traditional LCAP for the 2020-21 school year and replaces such requirement with what is referred to as a Learning Continuity and Attendance Plan (the "Learning Continuity and Attendance Plan"). The Learning Continuity and Attendance Plan seeks to address funding stability for schools while providing information at the LEA level describing how student learning continuity will be addressed during the COVID-19 pandemic in the 2020-21 school year. The Learning Continuity and Attendance Plan is intended to balance the needs of all stakeholders, including educators, parents, students, and community members, while streamlining meaningful stakeholder engagement. The Learning Continuity and Attendance Plan memorializes the planning process already underway for the 2020-21 school year, and includes plans for the following: (i) addressing gaps in learning; (ii) conducting meaningful stakeholder engagement; (iii) maintaining transparency; (iv) addressing the needs of unduplicated pupils, students with unique needs, and students experiencing homelessness; (v) providing access to necessary devices and connectivity for distance learning; (vi) providing resources and support to address student and staff mental health and social emotional well-being; and, (vii) continuing to provide school meals for students. Senate Bill 98 also requires school districts to approve a Parent Budget Overview, which was formerly an aspect of the prior LCAP reporting requirements. Accordingly, the Board of Trustees adopted a Learning Continuity and Attendance Plan on September 30, 2020 and a Parent Budget Overview on December 14, 2020 and submitted such reports to the Sonoma County Office of Education ("SCOE").

Attendance and LCFF. The first table that follows sets forth the actual A.D.A., enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 through 2019-20, respectively, and the projected A.D.A., enrollment (including the percentage of students are EL/LI Students), and targeted Base Grant per unit of A.D.A. for fiscal year 2020-21 for Harmony Elementary School.

The second table that follows sets forth the actual A.D.A., enrollment (including the percentage of students who are EL/LI Students), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 through 2019-20, respectively, and the projected A.D.A., enrollment (including the percentage of students are EL/LI Students), and targeted Base Grant per unit of A.D.A. for fiscal year 2020-21 for Salmon Creek School.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2015-16 through 2020-21

Harmony Elementary School

Fiscal Year		Total A.D.A. (TK-2)	Total Enrollment[10]	Unduplicated Percentage of EL/LI Students[10]
2015-16	A.D.A.[1]:	58.86	64	32.18%
	Targeted Base Grant[2][3]:	$7,820	--	--
2016-17	A.D.A.[1]:	65.45	68	28.85%
	Targeted Base Grant[2][4]:	$7,820	--	--
2017-18	A.D.A.[1]:	59.83	59	28.87%
	Targeted Base Grant[2][5]:	$7,941	--	--
2018-19	A.D.A.[1]:	56.14	58	31.38%
	Targeted Base Grant[2][6]:	$8,235	--	--
2019-20	A.D.A.[1]:	57.57	61	30.51%
	Targeted Base Grant[2][7]:	$8,503	--	--
2020-21[8]	A.D.A.[8]:	57.57	61	30.51%
	Targeted Base Grant[2][9]:	$8,503	--	--

[1] A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
[2] Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
[3] Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
[4] Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
[5] Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
[6] Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
[7] Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
[8] Figures are estimates.
[9] Targeted fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.
[10] Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Harmony Union School District.

Salmon Creek School

Fiscal Year		A.D.A./Base Grant K-3	4-6	7-8	Total A.D.A.	Enrollment[10] Total Enrollment	Unduplicated Percentage of EL/LI Students
2015-16	A.D.A.[1]:	43.82	66.13	45.42	155.37	161	49.24%
	Targeted Base Grant[2][3]:	$7,820	$7,189	$7,403	--	--	--
2016-17	A.D.A.[1]:	43.84	77.19	46.94	167.97	177	42.92%
	Targeted Base Grant[2][4]:	$7,820	$7,189	$7,403	--	--	--
2017-18	A.D.A.[1]:	52.93	74.41	54.98	182.32	197	36.82%
	Targeted Base Grant[2][5]:	$7,941	$7,301	$7,518	--	--	--
2018-19	A.D.A.[1]:	61.64	70.5	47.28	179.42	191	31.33%
	Targeted Base Grant[2][6]:	$8,235	$7,571	$7,796	--	--	--
2019-20	A.D.A.[1]:	42.86	74.12	40.15	157.13	164	31.23%
	Targeted Base Grant[2][7]:	$8,503	$7,818	$8,050	--	--	--
2020-21[8]	A.D.A.[8]:	42.86	74.12	40.15	157.13	164	31.23%
	Targeted Base Grant[2][9]:	$8,503	$7,818	$8,050	--	--	--

[1] A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
[2] Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
[3] Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
[4] Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
[5] Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
[6] Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
[7] Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
[8] Figures are estimates.
[9] Targeted fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.
[10] Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Harmony Union School District.

Enrollment within the District has declined in recent years due to wildfires that have impacted school district enrollment throughout the County. Further, District enrollment has declined during fiscal year 2020-21 due to the implementation of distance learning as a result of the COVID-19 pandemic. The District anticipates enrollment will continue to decline over the next few years. For more information on wildfires within the District, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS – Assessed Valuation of Property within the District – *Risk of Wildfire*" in the front part of the Official Statement. For more information on the COVID-19 pandemic and its impact on the District, see " – *Infectious Disease Outbreak*" below. For more information on student enrollment in Pathways Charter School, see " – Charter Schools."

The District received approximately $3.95 million in aggregate revenues reported under LCFF sources in fiscal year 2019-20 and has projected to receive approximately $4.01 million in aggregate

revenues reported under LCFF sources in fiscal year 2020-21 (or approximately 82.70% of its general fund revenues in fiscal year 2020-21). Such amount includes supplemental grants and concentrated grants for targeted groups projected at $1.81 million and $72,253, respectively, in fiscal year 2020-21.

Infectious Disease Outbreak. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, school districts in California are funded based on the LCFF, which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. See "- *Allocation of State Funding to School District; Local Control Funding Formula*." Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See "*–Future Budgets and Budgetary Actions*." In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by President Trump and a state of emergency by the Governor of the State.

Federal Response. On March 22, 2020, President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19. Local educational agencies may submit a request for public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District has submitted a request for public assistance to cover expenses relating to the COVID-19 pandemic that are in excess of the funding provided under the CARES Act and SB 117 (both as defined and described further below).

On March 27, 2020, the U.S. House of Representatives approved and President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act provides $30 billion to education, specifically $3 billion allocated to state governors to be used at their discretion to address the emergency, $13.5 billion for K-12 education, and $14.25 billion for postsecondary institutions. School districts will be able to use their share of the $13.5 billion K-12 education allocation under the CARES Act, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses.

The District expects to receive approximately $128,963 under the CARES Act (including amounts received for Salmon Creek Charter School, which includes approximately $25,254 from the Elementary and Secondary Schools Emergency Relief Fund provided directly from the federal government to the District, approximately $77,206 from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, approximately $9,660 from the Governor's Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and approximately $16,843 from the State's general fund for learning loss litigation provided from CARES Act funding administered through the State. The District has received $109,988 under the CARES Act as of December 2020. The District expects to receive the remaining $18,975 expected under the CARES Act by June 2021.

On December 28, 2020, the United States Congress approved and President Trump signed into law the Consolidated Appropriations Act, 2021 ("HR 133"), which includes a $900 billion COVID-19 relief

package. HR 133 provides $81.9 billion to education, specifically $4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which $2.75 billion is reserved for private K-12 education, $54.3 billion for K-12 education, $22.7 billion for postsecondary institutions, and $819 million for outlying areas and Bureau of Indian Affairs schools. School districts will be able to use their share of the $54.3 billion K-12 education allocation under HR 133, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses.

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed ADA period applies to school districts that comply with Executive Order N-26-20, which provides that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature that a school district's employees and contractors are paid during the period of a school closure due to COVID-19. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also includes $100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received $3,756, which includes amounts received for Salmon Creek Charter School, from such additional State funding in fiscal year 2019-20.

On December 30, 2020, the Governor released his Safe Schools for All Plan ("Safe Schools Plan"), a $2 billion incentive grant program which provides additional funding and resources to school districts returning to in-person education, with a priority for students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Qualifying school districts must be located in counties with a COVID-19 transmission rate below 28 per 100,000 residents and must submit their COVID-19 safety plan, which is approved by their school employee unions and meets the new Cal/OSHA regulations, to their county office of education. The Safe Schools Plan provides participating school districts with a one-time grant of $450 per student, with an additional amount of up to $250 per student based on the number of low-income students, English learners and foster youth. Further, the Safe Schools Plan focuses on implementing safety and mitigation measures such as frequent testing for all school students and staff, the distribution and enforcement of personal protective equipment for all students and staff in school, improved contact tracing, and prioritized vaccinations for school staff. Additionally, the Safe Schools Plan provides oversight and accountability by assisting school districts to develop and implement their COVID-19 safety plans and responding to reports and concerns by school staff and parents. The Safe Schools Plan awaits approval by the State Legislature and is set to begin on February 15, 2021.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year and implemented a distance learning model. On August 17, 2020, the District started the 2020-21 school year using the distance learning model and has continued to use such model. The District is offering three variations on the distance learning model: (1) a hybrid program in which online instruction is provided by a classroom teacher (about 75% of students are using such model); (2) a home learning connected program which combines reduced online instruction and independent learning (about 15% of students are using such model); and (3) the home learning independent program which is a full independent study program with minimal to no online instruction (about 10% of students are using such model). All three distance learning programs are under the guidance of and/or taught by District teachers. Only students enrolled within the hybrid program will return to campus, once allowed under State and County requirements.

In fiscal year 2019-20, the District recorded $61,970 in COVID-19 related expenditures, largely resulting from increased expenditures for personal protective equipment, technology and supplies for distance learning for teachers and students, and the extension of a long-term temporary teacher contract to assist with distance learning programs. In fiscal year 2020-21, the District is projecting approximately $401,731 for additional COVID-19 related expenditures for personal protective equipment, technology, curriculum and supplies for distance learning for teachers and students, ionization units, air purifiers, professional development for staff and parents of students, and salaries and benefits for additional teachers. The District (including Salmon Creek Charter School) has been allocated approximately $128,963 in one-time funds under the CARES Act and $3,756 in one-time funds under SB 117 to mitigate the impact of COVID-19 during fiscal years 2019-20 and 2020-21, which the District currently expects not cover the increased expenditures relating to COVID-19. The District is applying for additional aid through FEMA as noted above, but still expects that such aid will not cover all COVID-19 related expenses in fiscal years 2019-20 and 2020-21.

While the CARES Act, HR 133, and SB 117 have provided and will continue to provide some immediate relief to school districts, including the District, and the Safe Schools Plan may provide additional relief, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. The District cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Local Sources of Education Funding

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

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

Local property tax revenues are projected to account for approximately 23.58% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $945,444, or 19.50% of total general fund revenues in fiscal year 2020-21.

For information about the property taxation system in California and the District's property tax base, see "– Property Taxation System," "–Assessed Valuation of Property Within the District," and "–Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS" in the front portion of the Official Statement.

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

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

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 4.88% (or approximately $236,653) of the District's general fund projected revenues for fiscal year 2020-21.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 6.98% (or approximately $338,389) of the District's general fund projected revenues for fiscal year 2020-21.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District has projected to receive approximately $42,725 in State lottery revenue for fiscal year 2020-21.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 5.44% (or approximately $263,883) of the District's general fund projected revenues for fiscal year 2020-21.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

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

There are currently two charter schools, Pathways Charter School and Salmon Creek School, operating in the District. Pathways Charter School is an independent charter school and Salmon Creek School is a dependent charter school. Both charter schools operate under charter from the District. Pathways Charter School serve grades kindergarten through twelfth and Salmon Creek School serves grades second through eighth. Enrollment at Pathways Charter School was 386 students in fiscal year 2019-20 and is projected to be approximately 422 students in fiscal year 2020-21. The enrollment and A.D.A. information for Salmon Creek School is set forth in "DISTRICT FINANCIAL MATTERS – *Attendance and LCFF"* above. The District's audited financial statements for fiscal year 2019-20, which are included as Appendix B, include the operations of Salmon Creek School. Pathways Charter School prepares separate audited financial statements, which are not included in the District's audited financial statements.

The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2020, which are included as Appendix B.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's

Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. In response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provides, among other things, that a school district's audited financial statements for fiscal year 2019-20 are not due until March 31, 2021.

The following tables contain data abstracted from financial statements prepared by the District's former independent auditor, Goodell, Porter, Sanchez & Bright, LLP, Sacramento, California ("Goodell"), for fiscal year 2015-16, and by the District's current independent auditor, Nigro & Nigro P.C., A Professional Accountancy Corporation, Murrieta, California ("Nigro & Nigro"), for fiscal years 2016-17 through 2019-20. The District's contract with Goodell terminated at the end of fiscal year 2015-16 and subsequently, pursuant to a selection process involving requests for proposals from multiple accounting firms, Nigro & Nigro was selected as the District's auditor.

The change in auditors in fiscal year 2016-17 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the tables below for fiscal year 2015-16 and fiscal years 2016-17 through 2019-20 are categorized differently. Although historical total revenue and expenditure figures are comparably consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable. Goodell and Nigro & Nigro have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal year 2015-16. The table on page A-19 sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2016-17 through 2019-20.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2015-16

	Fiscal Year 2015-16[(1)]
Revenues:	
LCFF Sources	
State Apportionments	$2,859,919
Local Sources	656,968
Total Revenue Limit / LCFF	3,516,887
Federal Revenue	131,073
Other State Revenue	396,336
Other Local Revenue	242,670
Total Revenues	4,286,966
Expenditures:	
Certificated Salaries	1,335,870
Classified Salaries	682,036
Employee Benefits	904,883
Books and Supplies	229,702
Services and Other Operating Expenditures	1,050,372
Capital Outlay	245,886
Debt Service:	
Principal Retirement	-
Interest and Fiscal Charges	-
Other Outgo	51,065
Total Expenditures	4,499,814
Excess of Revenues Over (Under) Expenditures	(212,848)
Other Financing Sources (Uses):	
Operating Transfers In	-
Operating Transfers Out	(50,000)
Total Other Financing Sources (Uses)	(50,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(262,848)
Fund Balances, July 1	5,778,581
Fund Balances, June 30	$5,515,733

(1) The District incurred operating deficits in fiscal year 2015-16 due to increases in CalSTRS and CalPERS costs (defined below), increases in health benefit costs, and negotiated compensation adjustments to District employees. Additionally, special education costs increased due to an increase in the number of special education students served by the District.

Source: Harmony Union School District Audited Financial Statements for fiscal year 2015-16.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2016-17 through 2019-20

	Fiscal Year 2016-17[(1)]	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20[(2)]
REVENUES				
LCFF sources	$3,736,953	$3,884,963	$3,976,467	$3,952,407
Federal sources	108,560	84,264	104,179	110,463
Other state sources	200,872	295,755	413,864	272,376
Other local sources	232,114	349,499	253,400	303,380
Total Revenues	$4,278,499	$4,614,481	$4,747,910	$4,638,626
EXPENDITURES				
Current:				
Instruction	3,150,136	3,144,291	3,197,438	3,531,176
Instruction-related services:				
Supervision of instruction	-	-	44,542	38,582
Instructional library, media and technology	1,519	1,654	1,721	735
School site administration	342,209	286,013	302,059	293,431
Pupil support services:				
Home-to-school transportation	158,411	198,712	188,967	182,664
Food services	500	500	500	642
All other pupil services	1,320	1,452	1,605	60,965
General administration services:				
Data processing services	1,275	1,275	3,040	1,395
Other general administration	418,820	269,804	376,057	385,915
Plant services	262,162	253,900	293,958	265,533
Intergovernmental	-	-	-	-
Capital outlay	6,719	1,380	1,380	9,613
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	4,343,071	4,158,981	4,411,267	4,770,651
Excess of Revenues Over (Under) Expenditures	(64,572)	455,500	336,643	(132,025)
Other Financing Sources (Uses)				
Interfund transfer in	59,745	-	-	-
Interfund transfers out	(949,500)	(60,500)	(60,000)	(127,000)
Total Other Financing Sources and Uses	(889,755)	(60,500)	(60,000)	(127,000)
Net Change in Fund Balances	(954,327)	395,000	276,643	(259,025)
Fund Balances, July 1	5,515,733	4,561,406	4,956,406	5,233,049
Fund Balances, June 30	$4,561,406	$4,956,406	$5,233,049	$4,974,024

(1) The District incurred operating deficits in fiscal year 2016-17 due to increases in CalSTRS and CalPERS costs (defined below), increases in health benefit costs, and negotiated compensation adjustments to District employees. Additionally, special education costs increased due to an increase in the number of special education students served by the District.

(2) The District incurred operating deficits in fiscal year 2019-20 due to increased expenses relating to the COVID-19 pandemic and increases in salary and benefits expenses.

Source: Harmony Union School District Audited Financial Statements for fiscal years 2016-17 through 2019-20.

The following table shows the general fund balance sheet of the District for fiscal years 2015-16 through 2018-19. The table on page A-21 shows the general fund balance sheet of the District for fiscal year 2019-20.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2015-16 through 2018-19

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
ASSETS				
Cash	$5,470,691	$4,629,812	$5,002,157	$5,401,446
Accounts Receivable	333,933	222,125	296,434	150,386
Due From Other Funds	17,000	15,000	34,501	24,836
Total Assets	$5,821,624	$4,866,937	$5,333,092	$5,576,668
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$302,347	$305,531	$376,686	$335,418
Deferred/Unearned Revenue	3,544	-	-	8,201
Total Liabilities	305,891	305,531	376,686	343,619
Fund Balances:				
Nonspendable	500	500	500	500
Restricted	131,737	132,207	172,443	200,284
Committed	4,949,427	3,754,572	3,684,571	-
Assigned	-	-	-	852,261
Unassigned	434,069	674,127	1,098,892	4,180,004
Total Fund Balances	5,515,733	4,561,406	4,956,406	5,233,049
Total Liabilities and Fund Balances	$5,821,624	$4,866,937	$5,333,092	$5,576,668

Source: Harmony Union School District Audited Financial Statements for fiscal years 2015-16 through 2018-19.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Summary of General Fund Balance Sheet
Fiscal Year 2019-20

	Fiscal Year 2019-20
ASSETS	
Deposits and investments	$4,888,575
Accounts receivable	505,538
Total Assets	$5,394,113
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$420,089
Total Liabilities	$420,089
Fund Balances:	
Nonspendable	500
Restricted	203,682
Committed	3,746,209
Unassigned	1,023,633
Total Fund Balances	4,974,024
Total Liabilities and Fund Balances	$5,394,113

Source: Harmony Union School District Audited Financial Statements for fiscal year 2019-20.

District Budget Process and County Review

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

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

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

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

Interim Reporting. A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

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

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

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

equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

District's Fiscal Year 2020-21 Budget and First Interim Report. The District's original adopted budget for fiscal year 2020-21, which is included in the table below and described throughout this Appendix A, reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget, which were significantly revised in the 2020-21 State Budget. After analyzing the revised assumptions included in the 2020-21 State Budget, District officials have identified the major funding changes included in the 2020-21 State Budget that will have a material impact on the District's original adopted budget for fiscal year 2020-21, which include the suspension of the COLA, increasing LCFF funding, additional one-time CARES Act revenues to assist with the impact of the COVID-19 pandemic, and the deferral of State apportionments. Given the rapidly evolving nature of the COVID-19 pandemic and the uncertainty of additional federal funding and its impact on the 2020-21 State Budget, even with the updates summarized above, the District's budget for fiscal year 2020-21 is subject to change throughout the current fiscal year as additional information becomes available.

The District also continues to revise its projections of revenues, expenditures, and ending fund balances as more financial data becomes available throughout the year. Accordingly, the District's first interim projections for fiscal year 2020-21 reflect actual financial data for the period ending October 31, 2020 and projections for the remainder of fiscal year 2020-21 based on such data. The District's first interim projections for fiscal year 2020-21, which were adopted by the Board on December 14, 2020, are also included in the table below and described throughout this Appendix A.

The table on the following page sets forth the District's adopted general fund budgets for fiscal years 2018-19 through 2020-21, unaudited actuals for fiscal years 2018-19 and 2019-20, and first interim report for fiscal year 2020-21.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Fund Budgets for Fiscal Years 2018-19 through 2020-21, Unaudited Actuals for Fiscal Years 2018-19 and 2019-20 and First Interim Report for Fiscal Year 2020-2021

	2018-19 Original Adopted Budget	2018-19 Unaudited Actuals[1]	2019-20 Original Adopted Budget	2019-20 Unaudited Actuals[1]	2020-21 Original Adopted Budget	2020-21 First Interim Report[2]
REVENUES						
LCFF Sources	$3,936,300.00	$3,976,466.91	$3,910,859.00	$3,966,074.00	$3,997,920.00	$4,009,493.00
Federal Revenue	85,847.00	104,178.74	86,062.00	152,291.26	103,579.00	236,653.00
Other State Revenue	149,051.00	413,863.79	193,807.00	272,376.40	202,652.00	338,389.00
Other Local Revenue	207,976.00	221,768.27	199,245.00	292,515.83	238,803.00	263,883.00
TOTAL REVENUES	4,379,174.00	4,716,277.71	4,389,973.00	4,683,257.49	4,542,954.00	4,848,418.00
EXPENDITURES						
Certificated Salaries	1,425,004.00	1,488,486.53	1,500,843.00	1,735,646.45	1,576,819.00	1,663,607.93
Classified Salaries	583,023.00	638,322.94	623,056.00	683,848.18	798,322.00	757,480.15
Employee Benefits	964,230.00	1,198,021.67	1,144,846.00	1,191,386.62	1,237,469.00	1,201,571.57
Books and Supplies	93,624.00	129,590.71	94,165.00	159,393.75	99,200.00	396,053.99
Services, Other Operating Expenses	1,025,025.00	955,465.51	1,127,227.00	931,906.64	771,556.00	803,674.55
Capital Outlay	10,500.00	1,380.00	10,500.00	9,613.00	10,500.00	10,500.00
Other Outgo (excluding Direct Support/Indirect Costs)	-	-	-	-	-	-
Transfers of Direct Support/Indirect Costs	-	-	-	-	-	-
TOTAL EXPENDITURES	4,101,406.00	4,411,267.36	4,500,637.00	4,711,794.64	4,493,866.00	4,832,888.19
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	277,768.00	305,010.35	(110,664.00)	(28,537.15)	49,088.00	15,529.81
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	868,408.00	795,824.00	835,168.00	2,420,123.02	870,170.00	885,170.00
Inter-fund Transfers Out	(815,000.00)	(800,000.00)	(835,000.00)	(2,467,000.00)	(945,000.00)	(945,000.00)
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	53,408.00	(4,176.00)	168.00	(46,876.98)	(74,830.00)	(59,830.00)
NET INCREASE (DECREASE) IN FUND BALANCE	331,176.00	300,834.35	(110,496.00)	(75,414.13)	(25,742.00)	(44,300.19)
BEGINNING BALANCE, as of July 1	3,315,471.09	3,533,558.50	3,627,911.39	3,834,392.85	3,485,867.93	3,758,978.72
ENDING BALANCE	$3,646,647.09	$3,834,392.85	$3,517,415.39	$3,758,978.72	$3,460,125.93	$3,714,678.53
Unrestricted Balance	$3,509,073.58	$3,634,108.94	$3,374,623.33	$3,572,214.88	$3,075,289.10	$3,453,034.59
Restricted Balance	$137,573.51	$200,283.91	$142,792.06	$186,763.84	$384,836.83	$261,643.94

(1) The figures reflected in the District's unaudited actuals differ from the District's audited financial statements for such fiscal years due to the inclusion of the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits in the audited financial statements, in accordance with GASB Statement No. 54.

(2) Figures are projections.

Source: Harmony Union School District adopted general fund budgets for fiscal years 2018-19 through 2020-21; unaudited actuals for fiscal years 2018-19 and 2019-20; and first interim report for fiscal year 2020-2021.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2020, consisted of the following:

Long-Term Debt	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amount Due Within One Year
General Obligation Bonds[(1)]	$3,915,000	$3,000,000	$325,000	$6,590,000	$105,000
Unamortized issuance premium	87,267	161,665	4,379	244,553	8,512
Total - Bonds	4,002,267	3,161,665	329,379	6,834,553	113,512
Other Postemployment Benefits	845,514	123,676	676,216	292,974	-
Total Long-Term Debt[(2)]	$4,847,781	$3,285,341	$1,005,595	$7,127,527	$113,512

(1) Refers to the Series A Bonds and the Series B Bonds and the 2013 Refunding Notes. Excludes the Series C Bonds.
(2) Excludes the Lease Leaseback Agreement (as defined and described below). Also excludes five-year settlement agreement with former employee. For more information on such settlement agreement, see "OTHER LEGAL MATTERS - Litigation" in the front portion of this Official Statement.
Source: Harmony Union School District Audited Financial Statements for fiscal year 2019-20.

General Obligation Bonds. In addition to the Series C Bonds, the District has outstanding two series of general obligation bonds and one series of general obligation notes, which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series C Bonds. The 2013 Refunding Notes were issued in the form of a private placement with J.P. Morgan Chase Bank, N.A., in the aggregate principal amount of $960,000 to defease the outstanding Series 1998 Bonds.

See "THE SERIES C BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds and notes.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides other post-retirement healthcare benefits ("OPEB") under two different plans: (1) the District's single-employer defined benefit OPEB plan (the "District Plan") and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers' Health Benefit Fund (the "MPP Plan"). For fiscal year 2019-20, the District reported the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and MPP Plan as follows:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$277,048	$17,084	$624,512	$54,979
MPP Plan	15,926	-	-	(91)
Total	$292,974	$17,084	$624,512	$54,888

District Plan

The District Plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria of Statement Number 75 (defined below).

Under the District Plan, the postretirement health plans and the District's obligation vary by employee group. Certificated employees may retire and receive District-paid contributions towards healthcare upon attainment of age 55 and completion of 10 years or more District service. The District pays up to a cap equivalent to the Kaiser single high rate, plus composite dental premium ($908 per month for fiscal year 2019-20). For unit members hired before the 1997-1998 school year, benefits are paid until age 65, at which time benefits cease. For unit members hired on or after the 1997-1998 school year, benefits are paid for a maximum of 5 years or until 65 (whichever occurs first), at which time benefits cease. A minimum FTE of 0.20 is required, and part-time benefits are prorated. The District does not contribute vision or life benefits. At June 30, 2020, there were 3 inactive employees or beneficiaries currently receiving benefits under the District Plan, and 15 active employees eligible to receive benefits under the District Plan.

Total Compensation Systems, Inc. has prepared an actuarial valuation for the District Plan, as of the June 30, 2020 valuation date (the "Actuarial Report"). The total OPEB liability in the Actuarial Report was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63%
Salary Increases	3.00%
Healthcare Cost Trend Rates	4.00% per year
Retirees' Share of Benefit-Related Costs	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 37.3% of non-Medicare medical
Discount Rate	2.20%

The following table sets forth the changes in the total OPEB liability, District Plan fiduciary net position, and net OPEB liability for fiscal year 2019-20:

	Total OPEB Liability	District Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	$829,497	$0	$829,497
Service cost	79,068	0	79,068
Interest on Total OPEB Liability	26,112	0	26,112
Expected Investment Income	0	0	0
Administrative Expenses	0	0	0
Employee Contributions	0	0	0
Employer Contributions to Trust	0	0	0
Employer Contributions as Benefit Payments	0	0	0
Actual Benefit Payments from Trust	0	0	0
Actual Benefit Payments from Employer	0	0	0
Expected Minus Actual Benefit Payments[(1)]	($69,540)	0	($69,540)
Expected Balance at June 30, 2020	$865,137	$0	$865,137
Experience Gains/Losses	($606,585)	0	($606,585)
Changes in Assumptions	18,496	0	18,496
Changes in Benefit Terms	0	0	0
Investment Gains/Losses	0	0	0
Other	0	0	0
Net change during 2020	($552,449)	$0	($552,449)
Actual Balance at June 30, 2020[(2)]	$277,048	$0	$277,048

[(1)] Deferrable as an Experience Gain or Loss.
[(2)] May include a slight rounding error.
Source: Actuarial Report.

MPP Plan

The MPP Plan is established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/actuarial-financial-and-investor-information**. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The MPP Plan pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Plan is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Plan.

As of June 30, 2019, 5,744 retirees participated in the MPP Plan. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Plan is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Plan to fund monthly program and administrative costs. Total redirections to the MPP Plan are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

At June 30, 2020, the District reported a liability of $15,962 for its proportionate share of the net OPEB liability for the MPP Plan, which was 0.004276%. The total OPEB liability for the MPP Plan as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. For fiscal year 2019-20, the District reported an OPEB expense of $(91).

For more information on the MPP Plan, see the publicly available reports that can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/actuarial-financial-and-investor-information**. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2019-20, see Note 7 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life

insurance, disability benefits and long term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement Number 75 beginning with its audited financial statements for fiscal year 2017-18.

Labor Settlement. On July 15, 2020, the District entered into a labor settlement agreement with a former employee whereby the District is obligated to pay five annual payments of $15,000 each distributed in July of each year for a total of $75,000 starting in July 2020. The first payment of $15,000 was made in July 2020, and the fifth and final payment will be made in July 2024.

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal years 2018-19 or 2019-20 and does not plan to issue TRANS in fiscal year 2020-21. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

West County Transportation Agency. The District is a member of the West County Transportation Agency ("WCTA"), a joint exercise of powers agency that provides pupil transportation services for member school districts. See "Joint Powers Agreements and Joint Ventures" herein for more information. In April 2017, the WCTA issued its West County Transportation Agency Series 2017 Bonds (Transportation Facilities Project) (the "West County Transportation Agency Bonds"), which are secured in part by payments by the District and 16 other participating local school districts. The District paid its member share of $115,000 in fiscal year 2019-20 and expects to pay its member share of $115,000 in fiscal year 2020-21 as set forth in the following table provided by the District. The District's payments to the WCTA are paid from the District's General Fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS – Direct and Overlapping Debt" in the front portion of the Official Statement for more information.

WCTA Costs	Fiscal Year 2019-20	Fiscal Year 2020-21
Home to School Transportation – Excess Cost Transfer	$37,949.00	$40,075.11
Special Education Transportation	10,741.74	7,716.78
Facility Lease Payment – Home to School[(1)]	4,429.21	4,492.48
Facility Lease Payment – Special Education[(1)]	2,477.84	1,672.54
Total Costs	$55,597.79	$53,956.91

[(1)] Payments related to the West County Transportation Agency Bonds are included in the facility lease payments. Assuming no early redemptions, the West County Transportation Agency Bonds mature in 2047.

Source: Harmony Union School District.

Lease Leaseback Agreement. In July 2019, the District entered into a Lease Leaseback Agreement with FRC, Inc. (the "Lease Leaseback Agreement") to finance the construction of certain capital projects at the District. The guaranteed maximum price for phase I of the Lease Leaseback Agreement is approximately $1.76 million (excluding the agreed upon contingency), and the District's monthly payments

concluded in August 2020. The guaranteed maximum price for phase II of the Lease Leaseback Agreement is approximately $1.71 million (excluding the agreed upon contingency), and the District's monthly payments are $7,110.67 and will begin once the notice of completion is filed, which is expected to occur during fiscal year 2020-21. A guaranteed maximum price for phase III of the Lease Leaseback Agreement has not been agreed upon yet as such phase is currently on hold pending State funding.

Employment

As of December 2020, the District employed approximately 37 employees, consisting of 17 non-management certificated employees, 2 certificated management employees, 17 classified non-management employees and 2 classified management employees. For fiscal year 2019-20, the total certificated and classified payrolls were approximately $1.74 million and $683,848, respectively. For fiscal year 2020-21, the total certificated and classified payrolls are projected to be approximately $1.66 million and $757,480, respectively.

The District's certificated and classified employees are represented by formal bargaining organizations as shown in the table below. The District is beginning negotiations with the Harmony Union Teachers' Association regarding a successor contract; the District and the Harmony Union Teachers' Association are operating under the terms of the prior contract until a new contract is finalized.

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Harmony Union Teachers' Association	17	June 30, 2020
California School Employees Association	17	October 31, 2023

Source: Harmony Union School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees of Harmony Elementary School and Salmon Creek School, including teachers and administrators, and CalPERS, which covers certain classified employees of Harmony Elementary School and Salmon Creek School. Classified school personnel of Harmony Elementary School and Salmon Creek School who are employed four or more hours per day may participate in CalPERS.

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Governor Brown signed into law Assembly Bill 1469 on June 24, 2014, as part of the fiscal year 2014-15 State budget (the "2014-15 State Budget"). The 2014-15 State Budget introduced phased increases to employee, employer and State contributions to CalSTRS and sets forth a plan to eliminate CalSTRS' unfunded liability by June 30, 2046.

The 2014-15 State Budget increased employee contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. On July 1, 2018, the rate increased to 10.250% of pay for employees hired on or after January 1, 2013. Employer contribution rates were also

increased in fiscal year 2014-15 to 8.88% of payroll, with such rate increasing by 1.85% each year thereafter, plateauing at 19.10% of payroll in July 2020. However, due to supplemental payments of approximately $850 million pursuant to the 2019-20 State Budget, employer contribution rates decreased from 18.13% to 17.10% in fiscal year 2019-20 and 19.10% to 18.40% in fiscal year 2020-21. In addition, pursuant to the 2020-21 State Budget, employer contribution rates are expected to decrease from 18.40% to 16.15% in fiscal year 2020-21 and from 17.10% to 16.02% in fiscal year 2021-22 (see table below). The State's total contribution was increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, and to 10.828% of payroll in fiscal year 2020-21. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program.

Pursuant to the 2014-15 State Budget, employer contribution rates, including school districts' contribution rates, will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10[*]
2020	16.15[†]
2021	16.02[†]

[*] Pursuant to the fiscal year 2019-20 State budget.
[†] Pursuant to the 2020-21 State Budget. See "– State Funding of Education; State Budget Process –*2020-21 State Budget*."
Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2016-17 through 2019-20, and the projected contribution for fiscal year 2020-21.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Contributions to CalSTRS for Fiscal Years 2016-17 through 2020-21

Fiscal Year	District Contribution	State's STRS On-Behalf Amounts
2016-17	$196,021	$97,519
2017-18	202,958	129,930
2018-19	245,861	223,233
2019-20	301,037	190,176
2020-21[(1)]	267,157	150,778

[(1)] First interim report for fiscal year 2020-21.
Source: Harmony Union School District

The District's total employer contributions to CalSTRS for fiscal years 2016-17 through 2019-20 were equal to 100% of the required contributions for each year. Pursuant to the 2014-15 State Budget, beginning in fiscal year 2021-22, the State Teachers Retirement Board is required to increase or decrease employer contribution rates to the rates designed to eliminate the CalSTRS unfunded liability by June 30, 2046. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate the CalSTRS unfunded liability. As the world is currently experiencing a pandemic, the District cannot predict the impact of the outbreak of COVID-19 on investment earnings and employer

contribution rates. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – Infectious Disease Outbreak." However, under existing law, the State Teachers Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability.

As of June 30, 2019, the actuarial valuation (the "2019 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $105.7 billion, a decrease of approximately $1.5 billion from the June 30, 2018 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2019 and June 30, 2018, based on the actuarial assumptions, were approximately 66.0% and 64.0%, respectively. According to the 2019 CalSTRS Actuarial Valuation, the funded ratio increased by 2.0% during the past year and has decreased by approximately 12% over the past 10 years. As described in the 2019 CalSTRS Actuarial Valuation, the additional State contribution and the return on the actuarial value of assets (7.7%) that exceeded the assumed return (7%) were the primary causes of the increase in the funded ratio from the prior year valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2019 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2019 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "–Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

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

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of a global pandemic, including the outbreak of COVID-19, on investment earnings and school district contributions. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – Infectious Disease Outbreak" for more information about the impact of COVID-19. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective

salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2019-20. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the 2020-21 State Budget allocates funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.84%, respectively. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – 2020-21 State Budget."

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 CalPERS Schools Pool Actuarial Valuation") reported an actuarial accrued liability of $92.07 billion with the market value of assets at $64.85 billion, and a funded status of 70.4%. The actuarial funding method used in the 2018 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method." The 2018 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.625% inflation and payroll growth of 2.875% compounded annually. The 2018 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.25% compounded annually (net of administrative expenses) as of June 30, 2018 and 7.00% compounded annually (net of administrative expenses) as of June 30, 2019. The CalPERS Board adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.625% as of June 30, 2018 to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2016-17 through 2019-20, and the projected contribution for fiscal year 2020-21.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Contributions to CalPERS for Fiscal Years 2016-17 through 2020-21

Fiscal Year	Contribution
2016-17	$97,626
2017-18	99,430
2018-19	115,502
2019-20	138,519
2020-21[(1)]	133,394

[(1)] First interim report for fiscal year 2020-21.
Source: Harmony Union School District

The District's total employer contributions to CalPERS for fiscal years 2016-17 through 2019-20 were equal to 100% of the required contributions for each year.

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

CalSTRS and CalPERS are more fully described in Note 8 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $137,300 for 2020, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in three joint ventures under joint powers agreements: Redwood Empire Schools Insurance Group (RESIG) for workers' compensation, property liability and dental coverage, Schools Excess Liability Fund (SELF) for liability coverage, and WCTA for pupil transportation. See "District Debt Structure – *West County Transportation Agency*" herein for more information.

A board consisting of a representative from each member district governs these joint powers authorities ("JPAs"). The board controls the operation of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the District beyond the District's representation on the board. Member districts pay a premium commensurate with their level of coverage and share surpluses and deficits proportionately to their participation. The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements attached hereto. See Note 9 to the District's audited financial statements in APPENDIX B — "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

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

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

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

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

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

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

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

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

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

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

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

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living

(measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

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

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

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

Proposition 30 and Proposition 55

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

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

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

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of

moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

The Series C Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series C Bonds as and when due.

Future Initiatives

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

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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HARMONY UNION SCHOOL DISTRICT
SONOMA COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2020

NIGRO & NIGRO PC

HARMONY UNION SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2020
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harmony Union School District
Occidental, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harmony Union School District, as of and for the fiscal year ended June 30, 2020, 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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harmony Union School District, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information 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 District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on pages 63 to 66 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 62 and 67 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 18, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
December 18, 2020

This discussion and analysis of Harmony Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased by approximately $1.0 million.
- Overall revenues were $5.2 million, and overall expenses were $6.1 million.
- The total cost of the basic programs was $6.1 million. Because a portion of these costs were paid for with charges, fees and intergovernmental aid, the net cost that required taxpayer funding was $5.7 million.
- The District increased its outstanding long-term debt other than pensions by roughly $2.3 million.
- Average daily attendance (ADA) in grades K-8 declined by 20 or 8.5%.
- Governmental funds decreased by $123,123, or 1.3%.
- Reserves for the General Fund decreased by $2.6 million, or 71.8%. Revenues were $4.6 million and expenditures were $4.8 million.

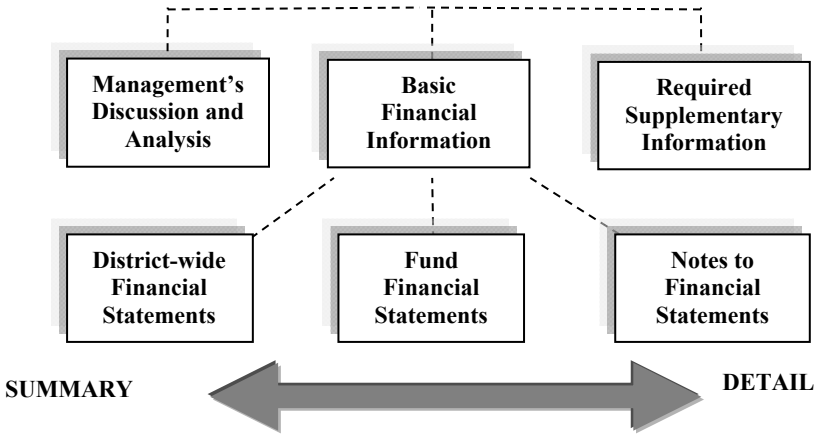
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Harmony Union School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements
The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. 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. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2020, than it was the year before – decreasing 9.8% to $8.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2020	2019	(Decrease)
Assets			
Current assets	$ 9,996,309	$ 9,810,355	$ 185,954
Capital assets	10,423,763	8,152,236	2,271,527
Total assets	20,420,072	17,962,591	2,457,481
Deferred outflows of resources	1,477,746	998,251	479,495
Liabilities			
Current liabilities	836,255	494,842	341,413
Long-term liabilities	7,127,527	4,847,781	2,279,746
Net pension liability	3,844,256	3,741,665	102,591
Total liabilities	11,808,038	9,084,288	2,723,750
Deferred inflows of resources	1,378,194	214,655	1,163,539
Net position			
Net investment in capital assets	6,564,660	7,087,677	(523,017)
Restricted	1,434,479	1,370,706	63,773
Unrestricted	712,447	1,203,516	(491,069)
Total net position	$ 8,711,586	$ 9,661,899	$ (950,313)

Changes in net position, governmental activities. The District's total revenues decreased 1.8% to $5.2 million (See Table A-2). The decrease is due primarily to lower unrestricted state and federal revenue.

The total cost of all programs and services increased 10.9% to $6.1 million. The District's expenses are predominantly related to educating and caring for students, 70.7%. The purely administrative activities of the District accounted for just 6.7% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Revenues			
Program Revenues:			
Charges for services	$ 42,114	$ 67,095	$ (24,981)
Operating grants and contributions	318,455	308,337	10,118
General Revenues:			
Property taxes	3,024,921	2,857,498	167,423
Federal and state aid not restricted	1,520,883	1,736,247	(215,364)
Other general revenues	250,794	279,982	(29,188)
Total Revenues	5,157,167	5,249,159	(91,992)
Expenses			
Instruction-related	3,878,023	3,556,391	321,632
Pupil services	439,583	393,657	45,926
Administration	409,377	403,519	5,858
Plant services	833,227	607,417	225,810
All other activities	547,270	547,717	(447)
Total Expenses	6,107,480	5,508,701	598,779
Increase (decrease) in net position	(950,313)	(259,542)	$ (690,771)
Net position	$ 8,711,586	$ 9,661,899	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $9.3 million, which is below last year's ending fund balance of $9.4 million. The overall decrease was minimal and variances were spread across the funds in operation.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 3,834,393	$ 4,610,950	$ 4,770,651	$ (46,877)	$ 3,627,815
Cafeteria Fund	877	89,772	179,017	127,000	38,632
Deferred Maintenance Fund	33,539	76,145	118,360	80,000	71,324
Special Reserve Fund (Other Than Capital Outlay)	546,395	10,527	-	(34,718)	522,204
Special Reserve Fund (Postemployment Benefits)	852,261	17,149	-	(45,405)	824,005
Building Fund	2,937,708	42,167	3,004,425	3,000,000	2,975,450
Capital Facilities Fund	207,713	4,155	6,906	-	204,962
County School Facilities Fund	10	1	-	-	11
Special Reserve Fund (Capital Outlay)	433,445	26,156	-	(80,000)	379,601
Bond Interest and Redemption Fund	528,377	433,018	515,469	161,665	607,591
	$ 9,374,718	$ 5,310,040	$ 8,594,828	$ 3,161,665	$ 9,251,595

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $0.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $0.3 million to reflect revised estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $0.4 million, the actual results for the year show that expenditures exceeded revenues by roughly $0.2 million. Actual revenues were $0.1 million more than anticipated, and expenditures were $58,966 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had acquired $2,533,464 in new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $261,937.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
Land	$ 753,579	$ 753,579	$ -
Improvement of sites	640,450	681,160	(40,710)
Buildings	6,142,589	6,356,824	(214,235)
Equipment	3,349	5,025	(1,676)
Construction in progress	2,883,796	355,648	2,528,148
Total	$ 10,423,763	$ 8,152,236	$ 2,271,527

Long-Term Debt

At year-end the District had $7.1 million in general obligation bonds and postemployment benefits – an increase of 49.7% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
General obligation bonds	$ 6,834,553	$ 4,002,267	$ 2,832,286
Other postemployment benefits	292,974	845,514	(552,540)
Total	$ 7,127,527	$ 4,847,781	$ 2,279,746

Net pension liability increased during the year by $0.1 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that $2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by $3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than $1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges
This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21
Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down $3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down $6.8 billion (8.7 percent) from the revised 2019-20 level and $10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

Budget Plan Implements Significant Payment Deferrals
In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring $12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the $12.5 billion, $11 billion applies to K-12 schools and $1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to $6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments
In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses $833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of $426 million in unspent prior-year funds and a $407 million settle-up payment. In addition, the budget plan withdraws the entire $377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains $240 million in savings ($110 million in 2019-20 and $130 million in 2020-21) from eliminating unallocated State Preschool slots.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22
This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid $12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent
The budget package includes $62.5 billion in Proposition 98 funding for K-12 education in 2020-21—$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers $11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances
The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer $1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts $9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to $300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

Addresses Historically Low-Funded Special Education Regions
Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from $557 to more than $900. The budget provides $545 million to bring low-funded SELPAs to a new rate of $625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates $6.4 Billion in One-Time Federal Funding
The budget package allocates $6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding ($4.8 billion) is provided for learning loss mitigation. The budget also includes $1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Funds Learning Loss Mitigation Activities
The budget package provides $5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of $4.4 billion from the federal Coronavirus Relief Fund, $540 million Proposition 98 General Fund, and $355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, $2.9 billion is to be allocated based on LCFF supplemental and concentration grants, $1.5 billion based on the number of students with disabilities, and $980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions
For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

Modifies Instructional Requirements to Allow for Distance Learning
The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

Includes Additional Fiscal Flexibility in a Few Areas
Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.

- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Includes Additional Fiscal Flexibility in a Few Areas (continued)

- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about $450 million in lottery revenues annually that must be spent on instructional materials.

- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years
School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included $2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, $1.6 billion was for the California State Teachers' Retirement System and $660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Harmony Union School District budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 any questions about this report or need additional financial information, please contact Ann Hayes-Stern, Harmony Union School District, 1935 Bohemian Highway, Occidental, CA 95465.

HARMONY UNION SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 9,480,865
Accounts receivable	515,444
Capital assets:	
Non-depreciable assets	3,637,375
Depreciable assets	10,704,561
Less accumulated depreciation	(3,918,173)
Total assets	20,420,072
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from OPEB	17,084
Deferred outflows from pensions	1,460,662
Total liabilities	1,477,746
LIABILITIES	
Accounts payable	836,255
Long-term liabilities other than pensions:	
Portion due or payable within one year	113,512
Portion due or payable after one year	7,014,015
Net pension liability	3,844,256
Total liabilities	11,808,038
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	624,512
Deferred inflows from pensions	753,682
Total liabilities	1,378,194
NET POSITION	
Net investment in capital assets	6,564,660
Restricted for:	
Capital projects	584,574
Debt service	607,591
Educational programs	242,314
Unrestricted	712,447
Total net position	$ 8,711,586

HARMONY UNION SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Instructional Services:				
Instruction	$ 3,545,669	$ -	$ 271,700	$ (3,273,969)
Instruction-Related Services:				
Supervision of instruction	36,101	-	567	(35,534)
Instructional library, media and technology	735	-	-	(735)
School site administration	295,518	-	2,911	(292,607)
Pupil Support Services:				
Home-to-school transportation	182,664	-	-	(182,664)
Food services	197,540	42,114	47,658	(107,768)
All other pupil services	59,379	-	6,745	(52,634)
General Administration Services:				
Data processing services	1,395	-	-	(1,395)
Other general administration	407,982	-	1,738	(406,244)
Plant services	833,227	-	(17,465)	(850,692)
Interest on long-term debt	278,426	-	-	(278,426)
Other outgo	6,907	-	4,601	(2,306)
Depreciation (unallocated)	261,937	-	-	(261,937)
Total Governmental Activities	$ 6,107,480	$ 42,114	$ 318,455	(5,746,911)
General Revenues:				
Property taxes				3,024,921
Federal and state aid not restricted to specific purpose				1,520,883
Interest and investment earnings				167,653
Miscellaneous				83,141
Total general revenues				4,796,598
Change in net position				(950,313)
Net position - July 1, 2019				9,661,899
Net position - June 30, 2020				$ 8,711,586

HARMONY UNION SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 4,888,575	$ 3,299,992	$ 1,292,298	$ 9,480,865
Accounts receivable	505,538	-	9,906	515,444
Total Assets	$ 5,394,113	$ 3,299,992	$ 1,302,204	$ 9,996,309
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 420,089	$ 324,542	$ 83	$ 744,714
Total Liabilities	420,089	324,542	83	744,714
Fund Balances				
Nonspendable	500	-	1,000	1,500
Restricted	203,682	2,975,450	1,229,797	4,408,929
Committed	3,746,209	-	71,324	3,817,533
Unassigned	1,023,633	-	-	1,023,633
Total Fund Balances	4,974,024	2,975,450	1,302,121	9,251,595
Total Liabilities and Fund Balances	$ 5,394,113	$ 3,299,992	$ 1,302,204	$ 9,996,309

HARMONY UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds			$ 9,251,595
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost:	14,341,936	
	Accumulated depreciation:	(3,918,173)	
	Net:		10,423,763
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(91,541)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:			
	General obligation bonds payable	6,834,553	
	Other postemployment benefits payable	292,974	
	Total		(7,127,527)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(3,844,256)
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.			
	Deferred outflows of resources relating to OPEB	17,084	
	Deferred inflows of resources relating to OPEB	(624,512)	
	Net:		(607,428)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources relating to pensions	1,460,662	
	Deferred inflows of resources relating to pensions	(753,682)	
	Net:		706,980
Total net position - governmental activities			$ 8,711,586

HARMONY UNION SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 3,952,407	$ -	$ 75,000	$ 4,027,407
Federal sources	110,463	-	44,685	155,148
Other state sources	272,376	-	5,016	277,392
Other local sources	303,380	42,167	504,546	850,093
Total Revenues	4,638,626	42,167	629,247	5,310,040
EXPENDITURES				
Current:				
Instruction	3,531,176	-	-	3,531,176
Instruction-related services:				
Supervision of instruction	38,582	-	-	38,582
Instructional library, media and technology	735	-	-	735
School site administration	293,431	-	-	293,431
Pupil support services:				
Home-to-school transportation	182,664	-	-	182,664
Food services	642	-	179,017	179,659
All other pupil services	60,965	-	-	60,965
General administration services:				
Data processing services	1,395	-	-	1,395
Other general administration	385,915	-	-	385,915
Plant services	265,533	-	118,360	383,893
Intergovernmental	-	-	6,906	6,906
Capital outlay	9,613	2,944,425	-	2,954,038
Debt service:				
Issuance costs	-	60,000	45,000	105,000
Principal	-	-	325,000	325,000
Interest	-	-	145,469	145,469
Total Expenditures	4,770,651	3,004,425	819,752	8,594,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,025)	(2,962,258)	(190,505)	(3,284,788)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	207,000	207,000
Interfund transfers out	(127,000)	-	(80,000)	(207,000)
Premiums on debt issuance	-	-	161,665	161,665
Issuance of debt - general obligation bonds	-	3,000,000	-	3,000,000
Total Other Financing Sources and Uses	(127,000)	3,000,000	288,665	3,161,665
Net Change in Fund Balances	(259,025)	37,742	98,160	(123,123)
Fund Balances, July 1, 2019	5,233,049	2,937,708	1,203,961	9,374,718
Fund Balances, June 30, 2020	$ 4,974,024	$ 2,975,450	$ 1,302,121	$ 9,251,595

HARMONY UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Total net change in fund balances - governmental funds		$ (123,123)
Amounts reported for governmental *activities* in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:		
Expenditures for capital outlay	2,533,464	
Depreciation expense	(261,937)	
Net:		2,271,527
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:		325,000
In governmental funds, proceeds from debt issuances are reported as other financing sources. In the government-wide statements, proceeds from debt issuances are reported as a liability. Proceeds from bond and other issuances plus premiums for the year were:		(3,161,665)
In governmental funds, if debt is issued at a premium or at a discount, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:		4,379
In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		(32,335)
In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:		(179,208)
In government funds, OPEB costs are recognized when employer contributions are made in the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:		(54,888)
Change in net position of governmental activities		$ (950,313)

HARMONY UNION SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2020

	Student Body Funds
ASSETS	
Deposits	$ 23,854
Total assets	$ 23,854
LIABILITIES	
Due to student groups	$ 23,854
Total liabilities	$ 23,854

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Harmony Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has identified no organizations which are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements 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. 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, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental* and *fiduciary* - are presented. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds
The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The General Fund also receives property taxes and other associated revenue on behalf of the Charter School that are then passed through and accounted for by the Charter School. The General Fund includes amounts separately accounted by the District in the Special Reserve Fund for Other Than Capital Projects and the Special Reserve Fund for Postemployment Benefits. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in those funds are being reported within the General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Deferred Maintenance Fund: This fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds (continued):

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Fiduciary Funds
Fiduciary funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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.

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

Description	Estimated Lives
Buildings and improvements	20-50 years
Improvement of sites	15-30 years
Equipment and vehicles	10 years

3. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

4. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. There were no employees with accrued vacation balances at June 30, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

6. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/ or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of possible revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 15% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, higher than the recommended level promulgated by the State of California.

Additional detailed information, along with the complete Fund Balance Policy can be obtained from the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncement

In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

GASB pronouncements which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

   This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) 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, 2019.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 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, thereby enhancing the relevance and consistency of information about governments' leasing activities.

   The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) to simplify accounting for interest cost incurred before the end of a construction period.

   This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

   This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

   For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

   This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

   Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)
   This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
   - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
   - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
   - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
   - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
   - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
   - Terminology used to refer to derivative instruments

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)
The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)

    - Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
    - Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended

    Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

    The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

8. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

    This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

    This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

    This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

    This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

8. (continued)
This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits as of June 30, 2020 are classified in the accompanying financial statements as follows:

Governmental funds	$ 9,480,865
Fiduciary funds	23,854
Total deposits and investments	$ 9,504,719

Deposits as of June 30, 2020 consist of the following:

Cash on hand and in banks	$ 31,830
Cash in revolving fund	1,500
Investments	9,471,389
Total deposits and investments	$ 9,504,719

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Investments - Interest Rate Risk
The District's investment does not limit investment maturities. The Superintendent or his/her designee shall have the responsibility for all decisions and activities performed under the District's investment policy, under the discretion of the Board. Maturities of investments held at June 30, 2020, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	$ 9,471,389	$ 9,471,389	$ -	uncategorized	N/A

Investments - Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2020, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District did not have any investments outside of the county treasury pool.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental	Totals
Federal Government:			
Categorical aid programs	$ 76,607	$ 4,057	$ 80,664
State Government:			
LCFF	382,059	-	382,059
Lottery	10,810	-	10,810
Other state resources	5,963	349	6,312
Local:			
Other local	30,099	5,500	35,599
Total	$ 505,538	$ 9,906	$ 515,444

NOTE 4 – INTERFUND TRANSACTIONS

Transfers To/From Other Funds
Transfers to/from other funds for the fiscal year ended June 30, 2020, consisted of the following:

General Fund transfer to Cafeteria Fund to cover expenses and negative balances	$	127,000
Special reserve fund for capital outlay projects to Deferred Maintenance fund for tree trimming		80,000
Total	$	207,000

At June 30, 2020 the General Fund received transfers from the Special Revenue Fund for Postemployment Benefits. Because that fund is being reported within the General Fund, all interfund activity has been eliminated from these financial statements.

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 500	$ -	$ 1,000	$ 1,500
Total Nonspendable	500	-	1,000	1,500
Restricted:				
Categorical programs	203,682	-	37,632	241,314
Capital projects	-	2,975,450	584,574	3,560,024
Debt service	-	-	607,591	607,591
Total Restricted	203,682	2,975,450	1,229,797	4,408,929
Committed:				
Stabilization arrangements	2,400,000	-	-	2,400,000
Deferred maintenance	-	-	71,324	71,324
Postemployment benefits	824,005	-	-	824,005
Other commitments	522,204	-	-	522,204
Total Committed	3,746,209	-	71,324	3,817,533
Unassigned:				
Remaining unassigned balances	1,023,633	-	-	1,023,633
Total Unassigned	1,023,633	-	-	1,023,633
Total	$ 4,974,024	$ 2,975,450	$ 1,302,121	$ 9,251,595

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Decreases	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 753,579	$ -	$ -	$ 753,579
Construction in progress	355,648	2,528,148	-	2,883,796
Total capital assets not being depreciated	1,109,227	2,528,148	-	3,637,375
Capital assets being depreciated:				
Improvement of sites	1,089,135	5,316	-	1,094,451
Buildings	9,593,353	-	-	9,593,353
Equipment	42,057	-	25,300	16,757
Total capital assets being depreciated	10,724,545	5,316	25,300	10,704,561
Accumulated depreciation for:				
Improvement of sites	(407,975)	(46,026)	-	(454,001)
Buildings	(3,236,529)	(214,235)	-	(3,450,764)
Equipment	(37,032)	(1,676)	(25,300)	(13,408)
Total accumulated depreciation	(3,681,536)	(261,937)	(25,300)	(3,918,173)
Total capital assets being depreciated, net	7,043,009	(256,621)	-	6,786,388
Governmental activity capital assets, net	$ 8,152,236	$ 2,271,527	$ -	$ 10,423,763

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds	$ 3,915,000	$ 3,000,000	$ 325,000	$ 6,590,000	$ 105,000
Unamortized issuance premium	87,267	161,665	4,379	244,553	8,512
Total - Bonds	4,002,267	3,161,665	329,379	6,834,553	113,512
Other Postemployment Benefits	845,514	123,676	676,216	292,974	-
Totals	$ 4,847,781	$ 3,285,341	$ 1,005,595	$ 7,127,527	$ 113,512

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The other post-employment benefits are expected to be paid by the General Fund.

A. General Obligation Bonds

2014 Refunding Bonds

On November 4, 2014, the District issued $960,000 of General Obligation Refunding Bonds, Series 2014. The proceeds of the bonds were used to advance refund the outstanding 1998 General Obligation Bonds. The bonds were issued as current interest bonds with an interest rate of 2.45 percent. The bonds are general obligations of the District payable solely from ad valorem property taxes through August 1, 2022.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

Election of 2018 (Measure C)
On June 5, 2018, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to $9.6 million of general obligation bonds. The Bonds are being issued to improve facilities at Harmony and Salmon Creek Schools, repair/replace leaky roofs, improve energy efficiency, and construct/renovate/modernize classrooms, restrooms and school facilities under an environmental sustainability facilities plan.

On September 13, 2018, the District issued the first series of bonds authorized under Measure C in the amount of $3,500,000. The bonds were issued as $215,000 serial bonds maturing on August 1, 2019 at an interest rate of 3.00% and $3,285,000 term bonds maturing between August 1, 2033 and August 1, 2048, with interest rates ranging between 3.50% and 5.25%.

On February 20, 2020, the District issued the second series in the amount of $3,000,000. The bonds were issued as $315,000 serial bonds maturing on August 1, 2022 at an interest rate of 3.00% and $2,685,000 term bonds maturing between August 1, 2035 and August 1, 2049 with an interest rate of 3.00%.

A summary of all bonds issued and outstanding at June 30, 2020 follows:

Bond Description	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
Measure C (2018)								
Series A	9/13/2018	8/1/2048	3.00-5.25%	$ 3,500,000	$ 3,500,000	$ -	$ 215,000	$ 3,285,000
Series B	3/5/2020	8/1/2049	3.00%	3,000,000	-	3,000,000	-	3,000,000
Refunding Issues								
2014 Refunding	11/4/2014	8/1/2022	2.45%	960,000	415,000	-	110,000	305,000
				Total	$ 3,915,000	$ 3,000,000	$ 325,000	$ 6,590,000

The annual requirements to amortize general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 105,000	$ 183,111	$ 288,111
2021-2022	280,000	222,900	502,900
2022-2023	235,000	215,725	450,725
2023-2024	-	212,475	212,475
2024-2025	-	212,475	212,475
2025-2030	80,000	1,060,950	1,140,950
2030-2035	625,000	997,600	1,622,600
2035-2040	1,075,000	839,800	1,914,800
2040-2045	1,710,000	559,138	2,269,138
2045-2050	2,480,000	208,588	2,688,588
	$ 6,590,000	$ 4,712,762	$ 11,302,762

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 277,048	$ 17,084	$ 624,512	$ 54,979
MPP Program	15,926	-	-	(91)
Total	$ 292,974	$ 17,084	$ 624,512	$ 54,888

The details of each plan are as follows:

District Plan

Plan Description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated employees may retire and receive District-paid contributions towards healthcare upon attainment of age 55 and completion of 10 years or more District service. The District pays up to a cap equivalent to the Kaiser single high rate, plus composite dental premium. For unit members hired before the 1997-1998 school year, benefits are paid until age 65, at which time benefits cease. For unit members hired on or after the 1997-1998 school year, benefits are paid for a maximum of 5 years or until 65 (whichever occurs first), at which time benefits cease. The District does not contribute vision or life benefits.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	15
Total	18

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Inflation	2.63 percent
Salary increases	3.00 percent
Healthcare cost trend rates	4.00 percent
Retirees' share of benefit-related costs	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 37.3% of non-Medicare medical

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Discount Rate
The discount rate of 2.20 percent is the Municipal AA 20-Year Bond Index as of the valuation date.

Mortality Rates
Mortality assumptions are based on the 2020 CalSTRS Mortality Table created by CalSTRS. This table incorporates mortality projection as deemed appropriate based on CalSTRS analysis.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2019	$ 829,497
Changes for the year:	
Service cost	79,068
Interest	26,112
Differences between expected and actual experience	(676,125)
Changes of assumptions	18,496
Net changes	(552,449)
Balance at June 30, 2020	$ 277,048

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	$ 298,110
Current discount rate	$ 277,048
1% increase	$ 257,205

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 242,073
Current trend rate	$ 277,048
1% increase	$ 319,417

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the District recognized OPEB expense of $54,979. In addition, at June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 624,512
Changes of assumptions	17,084	-
Total	$ 17,084	$ 624,512

The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the current measurement period is 13.1 years.

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 1,412	$ 51,613
2022	1,412	51,613
2023	1,412	51,613
2024	1,412	51,613
2025	1,412	51,613
Thereafter	10,024	366,447
	$ 17,084	$ 624,512

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2019, 5,744 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability
At June 30, 2020, the District reported a liability of $15,962 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

Measurement Date	June 30, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

For the year ended June 30, 2020, the District reported OPEB expense of $(91).

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.004276%	0.004184%	0.000092%

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380, or an average of 0.23% of the potentially eligible population (165,422).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2016) table issued by the Society of Actuaries.

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the California State Treasurer.

The discount rate used to measure the total OPEB liability was 3.50%. The MPP Program is funded on a pay-as-you-go basis as previously noted, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate		MPP OPEB Liability
1% decrease	$	17,378
Current discount rate	$	15,926
1% increase	$	14,590

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates		MPP OPEB Liability
1% decrease	$	14,512
Current trend rate	$	15,926
1% increase	$	17,546

NOTE 8 – PENSION PLANS

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).

For the fiscal year ended June 30, 2020, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan		Net Pension Liability		Deferred Outflows of Resources		Deferred Inflows of Resources		Pension Expense
CalSTRS	$	2,498,989	$	1,064,692	$	582,274	$	328,054
CalPERS		1,345,267		395,970		171,408		328,011
Total	$	3,844,256	$	1,460,662	$	753,682	$	656,065

NOTE 8 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/ actuarial-financial-and-investor-information.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $301,037.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$	2,498,989
State's proportionate share of the net pension liability associated with the District		1,363,366
Total	$	3,862,355

The net pension liability was measured as of June 30, 2019. 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 plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.002767%	0.002661%	0.000106%

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2020, the District recognized pension expense of $328,054. In addition, the District recognized pension expense and revenue of $37,301 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 301,037	$ -
Net change in proportionate share of net pension liability	435,524	409,838
Difference between projected and actual earnings on pension plan investments	5,755	102,017
Changes of assumptions	316,068	-
Differences between expected and actual experience	6,308	70,419
Total	$ 1,064,692	$ 582,274

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 176,298	$ 134,089
2022	176,298	200,910
2023	176,298	135,002
2024	182,136	36,474
2025	26,670	38,135
Thereafter	25,955	37,664
Total	$ 763,655	$ 582,274

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP–2016) table issued by the Society of Actuaries.

The long-term investment rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

For each future valuation, CalSTRS' independent consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 3,721,202
Current discount rate (7.10%)	2,498,989
1% increase (8.10%)	1,485,542

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $190,176.

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were $138,519.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $1,345,267. The net pension liability was measured as of June 30, 2019. 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 plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.004616%	0.004861%	-0.000245%

For the year ended June 30, 2020, the District recognized pension expense of $328,011. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 138,519	$ -
Net change in proportionate share of net pension liability	79,838	143,077
Difference between projected and actual earnings on pension plan investments	15,853	28,331
Changes of assumptions	64,039	-
Differences between expected and actual experience	97,721	-
Total	$ 395,970	$ 171,408

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 178,392	$ 42,863
2022	58,200	67,465
2023	15,748	46,591
2024	5,111	13,172
2025	-	1,317
Thereafter	-	-
Total	$ 257,451	$ 171,408

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 1,939,114
Current discount rate (7.15%)	1,345,267
1% increase (8.15%)	852,630

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

D. Payables to the Pension Plans
At June 30, 2020, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2020.

NOTE 9 – JOINT VENTURES

The District is a member of the Redwood Empire Schools Insurance Group (RESIG) for Workers' Compensation, Property Liability and Dental coverage, Schools Excess Liability Fund (SELF) for liability coverage, and the West County Transportation Agency for pupil transportation. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operation of the JPAs including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs. JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPA's management.

Condensed audited financial information as of June 30, 2019, is as follows:

	RESIG
Assets	$ 68,406,784
Liabilities	29,595,768
Deferred Outflows/Inflows of Resources - Pension	774,944
Net Position	$ 39,585,960
Revenues	$ 18,859,443
Expenses	21,544,461
Operating Income	(2,685,018)
Non-Operating Income	2,159,600
Change in Net Position	$ (525,418)

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2020, the District had construction commitments of $1.5 million with respect to unfinished capital projects.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2020.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

D. Impact of COVID-19

On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a "distance learning" environment.

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver "grab and go" meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year. Construction projects continued to move forward throughout the closure.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District's operations are not fully known at this time.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Redwood Empire School Insurance Group (RESIG) for property and liability coverage and RESIG for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the Redwood Empire School Insurance Group (RESIG), an insurance purchasing pool. The intent of the RESIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the RESIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the RESIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the RESIG. Participation in the RESIG is limited to districts that can meet the RESIG selection criteria.

NOTE 12 – SUBSEQUENT EVENT

On July 15, 2020, the District entered into a settlement agreement with a former employee whereby the District is obligated to pay five annual payments of $15,000 each distributed in July of each year for a total of $75,000 starting July 2020. The first payment of $15,000 was made in July 2020. The fifth and final payment will be made in July 2024.

Required Supplementary Information

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HARMONY UNION SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF sources	$ 3,910,859	$ 3,888,269	$ 3,952,407	$ 64,138
Federal sources	86,062	88,787	110,463	21,676
Other state sources	193,807	212,476	272,376	59,900
Other local sources	199,245	277,759	275,704	(2,055)
Total Revenues	4,389,973	4,467,291	4,610,950	143,659
Expenditures				
Current:				
Certificated salaries	1,500,843	1,725,122	1,735,646	(10,524)
Classified salaries	623,056	657,665	683,848	(26,183)
Employee benefits	1,144,846	1,152,350	1,191,387	(39,037)
Books and supplies	94,165	140,432	159,394	(18,962)
Services and other operating expenditures	1,127,227	1,143,548	990,764	152,784
Capital outlay	10,500	10,500	9,612	888
Total Expenditures	4,500,637	4,829,617	4,770,651	58,966
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,664)	(362,326)	(159,701)	202,625
Other Financing Sources and Uses				
Interfund Transfers In	835,168	810,349	80,123	(730,226)
Interfund Transfers Out	(835,000)	(835,000)	(127,000)	708,000
Total Other Financing Sources and Uses	168	(24,651)	(46,877)	(22,226)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,496)	(386,977)	(206,578)	180,399
Fund Balances, July 1, 2019	3,627,911	3,834,393	3,834,393	-
Fund Balances, June 30, 2020	$ 3,517,415	$ 3,447,416	3,627,815	$ 180,399
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Revenue Fund for Other Than Capital Outlay			522,204	
Special Revenue Fund for Postemployment Benefits			824,005	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 4,974,024	

See accompanying note to required supplementary information.

HARMONY UNION SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

	2019	2018	2017	2016	2015	2014
CalSTRS						
District's proportion of the net pension liability	0.0028%	0.0027%	0.0029%	0.0028%	0.0021%	0.0030%
District's proportionate share of the net pension liability	$ 2,498,989	$ 2,445,571	$ 2,700,961	$ 2,260,375	$ 1,431,298	$ 1,753,110
State's proportionate share of the net pension liability associated with the District	1,363,366	1,400,204	1,597,866	1,286,981	756,997	1,058,614
Totals	$ 3,862,355	$ 3,845,775	$ 4,298,827	$ 3,547,356	$ 2,188,295	$ 2,811,724
District's covered-employee payroll	$ 1,510,203	$ 1,406,500	$ 1,558,196	$ 1,403,066	$ 1,133,716	$ 1,224,279
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.47%	173.88%	173.34%	161.10%	126.25%	143.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.0046%	0.0049%	0.0055%	0.0051%	0.0042%	0.0044%
District's proportionate share of the net pension liability	$ 1,345,267	$ 1,296,094	$ 1,309,778	$ 1,012,121	$ 614,709	$ 499,508
District's covered-employee payroll	$ 639,475	$ 640,203	$ 702,952	$ 632,861	$ 461,709	$ 452,779
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.37%	202.45%	186.33%	159.93%	133.14%	110.32%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

HARMONY UNION SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 301,037	$ 245,861	$ 202,958	$ 196,021	$ 150,549	$ 100,674
Contributions in relation to the contractually required contribution	301,037	245,861	202,958	196,021	150,549	100,674
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,760,449	$ 1,510,203	$ 1,406,500	$ 1,558,196	$ 1,403,066	$ 1,133,716
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 138,519	$ 115,502	$ 99,430	$ 97,626	$ 74,975	$ 54,346
Contributions in relation to the contractually required contribution	138,519	115,502	99,430	97,626	74,975	54,346
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 702,393	$ 639,473	$ 640,203	$ 702,952	$ 632,861	$ 461,709
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

HARMONY UNION SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability			
Service cost	$ 79,068	$ 76,765	$ 74,528
Interest	26,112	26,528	25,428
Differences between expected and actual experience	(676,125)	-	-
Changes of assumptions or other inputs	18,496	28,476	-
Benefit payments	-	(69,540)	(69,620)
Net change in total OPEB liability	(552,449)	62,229	30,336
Total OPEB liability - beginning	829,497	767,268	736,932
Total OPEB liability - ending	$ 277,048	$ 829,497	$ 767,268
Covered-employee payroll	$ 1,539,402	$ 1,494,565	$ 1,316,916
Total OPEB liability as a percentage of covered-employee payroll	18.00%	55.50%	58.26%

Notes to Schedule:

The discount rate was changed from 3.13% to 2.2% for the 2019-20 fiscal year.

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

HARMONY UNION SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

For the Fiscal Year Ended June 30, 2020

Last 10 Fiscal Years*

	2019	2018	2017
District's proportion of net OPEB liability	0.0043%	0.0042%	0.0046%
District's proportionate share of net OPEB liability	$ 15,926	$ 16,017	$ 19,556
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	0.40%	0.01%

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

**This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability
This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions **-** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions
This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios
This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

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Supplementary Information

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HARMONY UNION SCHOOL DISTRICT

Local Educational Agency Organization Structure
June 30, 2020

The Harmony Union School District was established in 1953. The District is located in Occidental, Sonoma County, California. There was no change in District boundaries during the year. The District currently operates one elementary school for grades TK/K-1 and operates grades 2-8 as Salmon Creek – a charter school.

BOARD OF TRUSTEES

Member	Office	Term Expires
Steven Bair	President	December, 2022
Mariah Lander	Clerk	December, 2020
Charlie Laird	Member	December, 2022
Yuri Koslen	Member	December, 2020

DISTRICT ADMINISTRATORS

Matthew Morgan,
Superintendent

Stacy Kalember,
Business Manager

HARMONY UNION SCHOOL DISTRICT

Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

Harmony Union School District		
	Second Period Report	**Annual Report**
	Certificate No. 4972F0F5	Certificate No. 9C07A0BA
Regular ADA & Extended Year:		
TK/Grades K-3	57.57	57.57

Salmon Creek Charter School		
	Second Period Report	**Annual Report**
	Certificate No. 55C2E5BA	Certificate No. 409F071D
Regular ADA & Extended Year:		
TK/Grades K-3	42.86	42.86
Grades 4-6	74.12	74.12
Grades 7-8	40.15	40.15
Total Regular ADA	157.13	157.13
Total Classroom-Based ADA	157.13	157.13

See accompanying note to supplementary information.

HARMONY UNION SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

Harmony Union School District

Grade Level	Required	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	53,640	180	Complied
Grade 1	50,400	50,850	180	Complied

Salmon Creek Charter School

Grade Level	Required	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Grade 2	50,400	50,850	180	Complied
Grade 3	50,400	50,850	180	Complied
Grade 4	54,000	55,575	180	Complied
Grade 5	54,000	55,575	180	Complied
Grade 6	54,000	55,575	180	Complied
Grade 7	54,000	55,575	180	Complied
Grade 8	54,000	55,575	180	Complied

HARMONY UNION SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 [2]	2020 [4]	2019	2018
Revenues and other financing sources	$ 5,413,124	$ 4,691,073	$ 4,716,278	$ 5,237,475
Expenditures	4,493,866	4,770,651	4,411,267	4,158,981
Other uses and transfers out	945,000	127,000	4,176	613,493
Total outgo	5,438,866	4,897,651	4,415,443	4,772,474
Change in fund balance (deficit)	(25,742)	(206,578)	300,835	465,001
Ending fund balance	$ 3,602,073	$ 3,627,815	$ 3,834,393	$ 3,533,558
Available reserves [1]	$ 3,323,192	$ 1,023,633	$ 3,633,609	$ 1,098,892
Available reserves as a percentage of total outgo	61.1%	20.9%	82.3%	23.0%
Total long-term debt	$ 10,858,271	$ 10,971,783	$ 8,589,446	$ 5,322,563
Average daily attendance at P-2 [3]	N/A	215	235	237

The General Fund balance has increased overall over the past two years by $94,257. The fiscal year 2020-21 adopted budget projects a decrease of $25,742. For a district of this size, the state recommends available reserves of at least the greater of $69,000 or 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in only one of the past three years, but anticipates incurring an operating deficit during the 2020-21 fiscal year. Long-term debt has increased by $5,649,220 over the past two years.

Average daily attendance has decreased by 22 over the past two years. ADA will not be reported in 2020-21.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Revised Final Budget September, 2020.

[3] Includes charter school ADA.

[4] The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

HARMONY UNION SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
June 30, 2020

	General Fund	Building Fund
June 30, 2020, annual financial and budget report (SACS) fund balances	$ 3,758,979	$ 2,999,166
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Decreasing overbooked receivables	(30,479)	-
Accruing outstanding payables	(100,685)	(23,716)
Net adjustments and reclassifications	(131,164)	(23,716)
June 30, 2020, audited financial statement fund balances	$ 3,627,815	$ 2,975,450

See accompanying note to supplementary information.

HARMONY UNION SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2020

Charter School Name	Charter School Number	Inclusion in Financial Statements
Salmon Creek School	0941	Included
Pathways Charter School	0492	Not Included

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)
Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic.

Schedule of Financial Trends and Analysis
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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District and displays information for each charter school and whether or not the charter school is included in the District audit.

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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
Harmony Union School District
Occidental, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harmony Union School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Harmony Union School District's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Harmony Union School District's internal control over financial reporting (internal control) as a basis for designing 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 Harmony Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harmony 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 District'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 Harmony Union School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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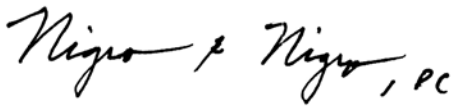
Purpose of this Report

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
December 18, 2020

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Harmony Union School District
Occidental, California

Report on State Compliance
We have audited Harmony Union School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Harmony Union School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Harmony Union School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Harmony Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Harmony Union School District's compliance.

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:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
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	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Harmony Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and recommendations as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Harmony Union School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. Harmony Union School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro & Nigro, PC

Murrieta, California
December 18, 2020

Findings and Recommendations

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HARMONY UNION SCHOOL DISTRICT

Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

The District expended less than $750,000 in federal awards during the year; therefore, a Single Audit pusuant to the Uniform Guidance was not performed.

State Awards

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

SECTION II - 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 *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

The District expended less than $750,000 in Federal awards in 2019-20, therefore, a Single Audit pursuant to Uniform Guidance was not performed.

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS

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

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted 10 students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.

Context: We noted two exceptions out of five FRPM only students tested at Salmon Creek Charter School. We then increased our sample to include testing all remaining non-directly certified FRPM students at the charter school where the exceptions were noted. Out of these additional 17 students tested, we noted eight additional exceptions, for a total of 10 exceptions.

Cause: For two students, the charter had decided not to charge them based on discussions with family about financial hardships, but there was no application on file and the students were not directly certified. For the other eight students noted as exceptions, the charter had entered an inaccurate effective date for unduplicated status, causing them to be erroneously captured in the Fall 1 report.

Effect: There is a questioned cost of $4,568, calculated using the CDE audit penalty calculator. The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

	CALPADS	Adjusted based on eligibility for: FRPM	Adjusted Total
Program/Site:			
Salmon Creek Charter School	53	(10)	43

Total enrollment of 166 was not adjusted based on the results of our procedures.

Recommendation: We recommend that the District implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.

Views of Responsible Officials: The UPC Finding occurred due to a rare occurrence where Harmony USD had multiple families evacuated on Oct. 2, 2019, as a result of a wildfire that had the potential to enter into our District. The CDE directed any students that were under mandatory evacuation on the 2019 CALPADS day (Oct. 2, 2019) to be listed as homeless. Our District went back and forth between what the CDE encouraged districts to do; versus what SCOE encouraged Districts to do. With all of the back and forth, a human error was made when reversing all students as "homeless." Students were reversed from homeless to not homeless on a day after the 2019 CALPADS day, which created the error.

HARMONY UNION SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2020

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2019-001: Instructional Materials	California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District. The District did not post the required notice of the public hearing regarding the sufficiency of textbooks and instructional materials at three separate public locations.	70000	We recommend that the District ensure that the notice which is posted during the school year adhere to the requirements for the posting of the public notice with the time, place and purpose at three public locations.	Implemented.

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To the Board of Trustees
Harmony Union School District
Occidental, California

In planning and performing our audit of the basic financial statements of Harmony Union School District for the year ending June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 18, 2020 on the financial statements of Harmony Union School District.

DISTRICT OFFICE

Observation: During our testing of expenditures, we noted that six of the 44 selected transactions were lacking either documented pre-approval or other supporting documentation. Five expenditures tested did not have an existing purchase order, and two expenditures tested were not supported by original itemized receipts (one of these two was also part of the five lacking a purchase order).

> ***Recommendation:*** The District should retrain all applicable employees regarding the proper procedures for requesting and authorizing disbursements.

ASSOCIATED STUDENT BODY (ASB)

***Observation*:** In our testing of ASB cash receipts, we noted that both of the selected receipts lacked sufficient supporting documentation for the cash portions of the deposits.

> ***Recommendation*:** Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

***Observation*:** In our testing of cash disbursements, we noted that three of the six disbursements selected were not approved by a district representative and student. Additionally, these three disbursements were not approved prior to being incurred.

> ***Recommendation*:** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student body funds and falls within budgetary guidelines.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

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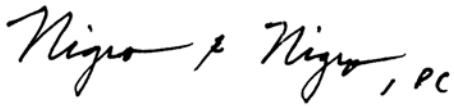
We will review the status of the current year comments during our next audit engagement.



Murrieta, California
December 18, 2020

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series C Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series C Bonds in substantially the following form:

[Date of Delivery]

Harmony Union School District
Occidental, California

Harmony Union School District
(Sonoma County, California)
General Obligation Bonds, Election of 2018, Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Harmony Union School District (the "District"), which is located in the County of Sonoma (the "County"), in connection with the issuance by the District of $_____ aggregate principal amount of bonds designated as "Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series C" (the "Series C Bonds"), representing part of an issue in the aggregate principal amount of $9,600,000 authorized at an election held in the District on June 5, 2018. The Series C Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on December 14, 2020 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), relating to the Series C Bonds maturing on and after August 1, 2023 (the "Tax-Exempt Bonds"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series C Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series C Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series C Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not

cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series C Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated _____, 2021, or other offering material relating to the Series C Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series C Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series C Bonds and the interest thereon.

4. Interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series C Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series C Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Harmony Union School District (the "District") in connection with the issuance of $_____ aggregate principal amount of Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series C (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on December 14, 2020 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for the purposes of the Listed Events set out in Section 5(a)(x) and 5(b)(viii), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated _____, 2021 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2020-21 Fiscal Year (which is due not later than April 1, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then-current fiscal year.

(ii) Information regarding total assessed valuation of taxable properties within the District for the then-current fiscal year as shown on the most recent equalized assessment role, if and to the extent provided to the District by the County of Sonoma (the "County").

(iii) Information regarding the total secured property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year, if and to the extent provided to the District by the County.

(iv) Information regarding the twenty taxpayers with the greatest combined ownership of taxable properties in the District for the then-current fiscal year, as measured by secured assessed valuation, including the amount of their respective taxable value and their percentage of total secured assessed value of properties within the District, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. **Reporting of Significant Events.** (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the District; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

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

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) 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;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bond holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is 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 a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

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 Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, 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 the District with respect to the Bonds, or the type of business conducted;

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

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as 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.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 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 required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. 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. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 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.

Section 14. **Electronic Signature**. Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format.

Dated: _____, 2021

HARMONY UNION SCHOOL DISTRICT

By: _____

ACCEPTED AND AGREED TO:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC.,
as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	**HARMONY UNION SCHOOL DISTRICT**
Name of Issue:	Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series C
Date of Issuance:	_____, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated _____, 2021. [The District anticipates that the Annual Report will be filed by _____.]

Dated:_____

HARMONY UNION SCHOOL DISTRICT

APPENDIX E

SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT

The following information has been furnished by the Office of the Auditor-Controller-Treasurer-Tax Collector, County of Sonoma. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the Auditor-Controller-Treasurer-Tax Collector and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Auditor-Controller-Treasurer, Tax Collection, County of Sonoma, 585 Fiscal Drive, Room 100, Santa Rosa, CA 95403.

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COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

Effective 12-10-2019

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COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Sonoma:

1. POLICY STATEMENT

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund (Pooled Investment Fund). Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

2. STANDARDS OF CARE

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer, employees involved in the investment process and the members of the Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the Policy.

3. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

[a] **SAFETY OF CAPITAL** - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

[b] **LIQUIDITY** - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.

[c] **MAXIMUM RATE OF RETURN** - As the third objective, the Pooled Investment

Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

Social and Environmental Consideration: Whenever possible and consistent with the above statutory objectives, investment opportunities will be evaluated for social and environmental impacts. The intent of this Policy is to create positive impacts by investing in socially and environmentally responsible agencies and corporations as defined by priorities set by the Board of Supervisors.

4. IMPLEMENTATION

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has provided the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. PARTICIPANTS

[a] **STATUTORY PARTICIPANTS -** General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.

[b] **VOLUNTARY PARTICIPANTS** - Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must approve in writing the Pooled Investment Fund as an authorized investment and accept the County of Sonoma Investment Policy.

6. AUTHORIZED PERSONS

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Auditor-Controller-Treasurer-Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Auditor-Controller-Treasurer-Tax Collector. The Treasury Manager or the Investment and Debt Officer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting as a trustee in a like capacity and familiarity 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 depositors.

7. AUTHORIZED INVESTMENTS

Authorized investments shall match the general categories established by the California Government Code Section 53635, et. seq., and further defined by California Government Code Section 53601, et. seq.. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. As the California Government Code is amended, this Policy shall likewise become amended.

8. PROHIBITED INVESTMENTS

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

9. INVESTMENT CRITERIA

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S Treasury and Agency Securities (§53601 (b & f))	5 years	100	N/A
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank (§53601 (q))	5 years	30	AA
Bonds and Notes issued by local agencies (§53601 (a & e))	5 years	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 (c & d))	5 years	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Term Corporate Notes (§53601 (k))	5 years	30	A
Mutual Funds & Money Market Mutual Funds (See Section 13) (§53601 (l))	N/A	20	Aaa & AAAm
Collateralized Mortgage Obligations (§53601 (o))	5 years	20	AA
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649et seq.)	5 years	N/A	N/A

10. BANKERS' ACCEPTANCE

No more than 30 percent of the agency's surplus funds may be invested in the Bankers' Acceptances of any one commercial bank pursuant to this section.

11. COMMERCIAL PAPER

All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's Corporation, a "P-1" rating by Moody's Investor Service, or a "F-1" rating by Fitch Financial Services, issued by corporations operating within the United States, and having total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

No more than 10% of the total assets of the investments held by a local agency may be invested in any one issuer's Commercial Paper.

12. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS

Under California Government Code Section 53601, Paragraph (j) and Section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

13. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (k), inclusive, or subdivisions (m) to (o) and with assets under management in excess of five hundred million dollars ($500,000,000.00).

No more than 10% of the agency's funds may be invested in any one Mutual Fund.

14. JOINT POWERS AGREEMENT

With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Powers Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy.

15. COLLATERAL

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

16. CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed . All brokers/dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms must have an investment grade rating from at least one national rating service, if applicable.

Broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with financial statements.

17. WITHDRAWAL REQUESTS

[a] **STATUTORY PARTICIPANTS -** The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor-Controller at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County

Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

[b] **VOLUNTARY PARTICIPANTS -** For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

18. DELIVERY & SAFEKEEPING

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

19. APPORTIONMENT OF INTEREST & COSTS

Interest shall be apportioned to all Pooled Investment Fund participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Pooled Investment Fund. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code. The deduction shall be adjusted to actual cost in the fourth quarter of the fiscal year and/or the first quarter of the following fiscal year.

20. REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO

Quarterly, the County Treasurer will provide to the Treasury Oversight Committee, the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Treasury Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of Investment Policy to the Board of Supervisors and to the legislative body of the local agencies that participate in the Pooled Investment Fund.

21. LIMITS ON HONORARIA, GIFTS AND GRATUITIES

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar 12 month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

22. AUDITS

The Treasury Oversight Committee shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

23. EXCEPTION TO POLICY

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the Pooled Investment Fund participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

24. INVESTMENT OF BOND PROCEEDS

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.

25. DISASTER RECOVERY PLAN

The County Treasurer's Disaster Recovery Plan includes contact information for the Treasury staff and key county personnel, as well as contact information for authorized banks and brokers.

Copies of the plan have been distributed to the investment staff: Assistant Treasurer-Tax Collector, Treasury Manager, and Investment and Debt Officer.

In the event we are unable to conduct normal business operations, the investment staff shall interact with one another by home phone, cell phone, or e-mail to decide on an alternate location from which to conduct daily operations. If unable to contact one another, the investment staff shall establish contact with one another through the County Office of Emergency Services.

GLOSSARY OF TERMS

ACCRUED INTEREST
Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCES
A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT
One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BOOK VALUE
The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER
Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

COMMERCIAL PAPER
Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE
The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CREDIT RISK
The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

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.

CUSIP NUMBERS
CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT
The amount by which the par value of a security exceeds the price paid for the security.

EARNINGS APPORTIONMENT
The quarterly interest distribution to the Pooled Investment Fund Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pooled Investment Fund.

FAIR VALUE
The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS
Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE
Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)
This committee sets 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.

FLOATING RATE NOTE
A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST
The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LOCAL AGENCY INVESTMENT FUND (LAIF)
The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET VALUE
The price at which a security is trading and could presumably be purchased or sold.

MATURITY
The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND
A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

PAR
The stated maturity value, or face value, of a security.

PAR VALUE
The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM
The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE
A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

REPURCHASE AGREEMENT OR RP OR REPO
An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SECURITIES LENDING
A transaction wherein the Treasurer's Pooled Investment Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE
The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

TRADE DATE
The date and time corresponding to an investor's commitment to buy or sell a security.

WEIGHTED AVERAGE MATURITY
The remaining average maturity of all securities held in a portfolio.

QUARTERLY REPORT AND CERTIFICATION
OF THE COUNTY TREASURER
For Quarter Ending September 30, 2020

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

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

COMPLIANCE CERTIFICATION

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

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

_____

Erick Roeser
Treasurer
County of Sonoma

SONOMA COUNTY POOLED INVESTMENT PROGRAM
For Quarter Ending September 30, 2020

BEGINNING FUND BALANCE (07/01/2020)	$2,818,992,417
ENDING FUND BALANCE	$2,709,250,300
AVERAGE DAILY FUND BALANCE	$2,759,658,862
TOTAL INTEREST EARNED (after fees)	$7,939,053
INTEREST RATE (after fees)	1.141
INTEREST RATE (before fees)	1.201

TOTAL FUNDS MANAGED BY TREASURY

TOTAL TREASURY BALANCE (including tobacco endowment, PACE bond investments, active bank accounts and money in transit)	$2,714,858,496

SONOMA COUNTY QUARTERLY INVESTMENT REPORT
For Quarter Ending September 30, 2020

INVESTMENT POOL YIELD:

The yield during this quarter is 1.201% before fees and 1.141% after fees.

MARKET VALUE:

The market value of the portfolio as of September 30, 2020, is at 100.44% of cost. The market values are down from the last Quarterly Report. Market values were obtained from SunGard Financial Systems and Bloomberg.

REVERSE REPURCHASE AGREEMENTS:

The pool has no reverse repurchase agreements.

WEIGHTED AVERAGE MATURITY:

The weighted average days to maturity is 708 days.

Excluding SCEIP investments, the weighted average days to maturity is 694 days.

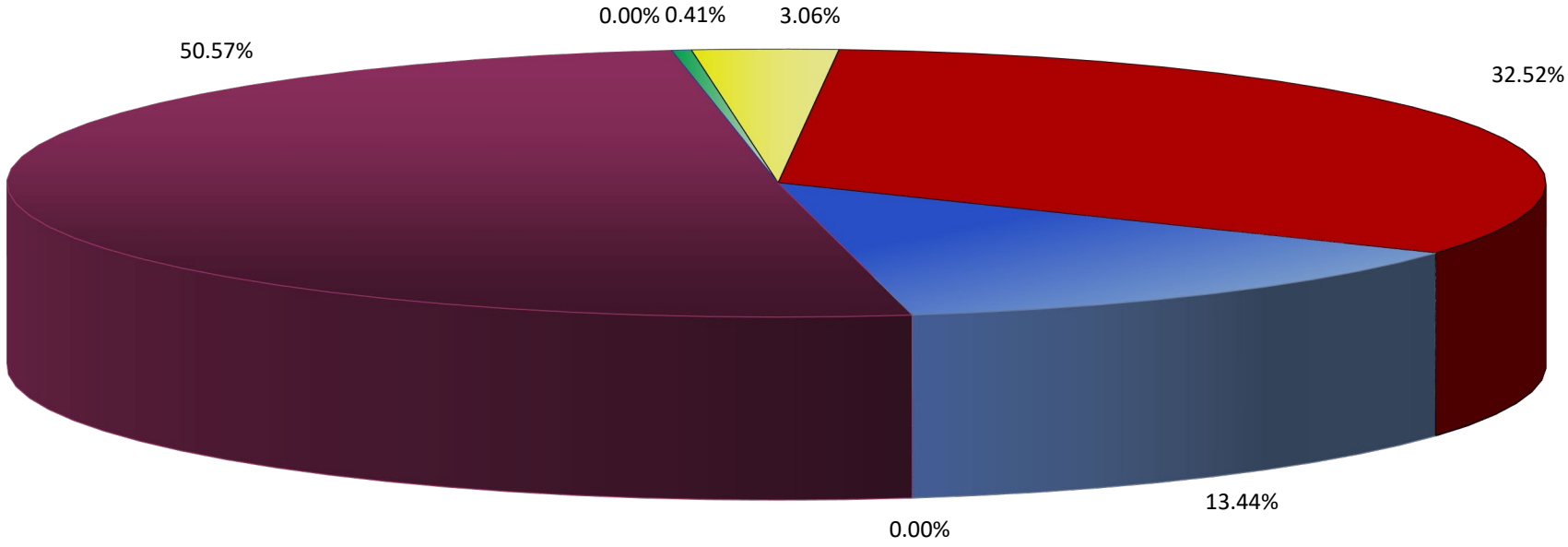
CHARTS:

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

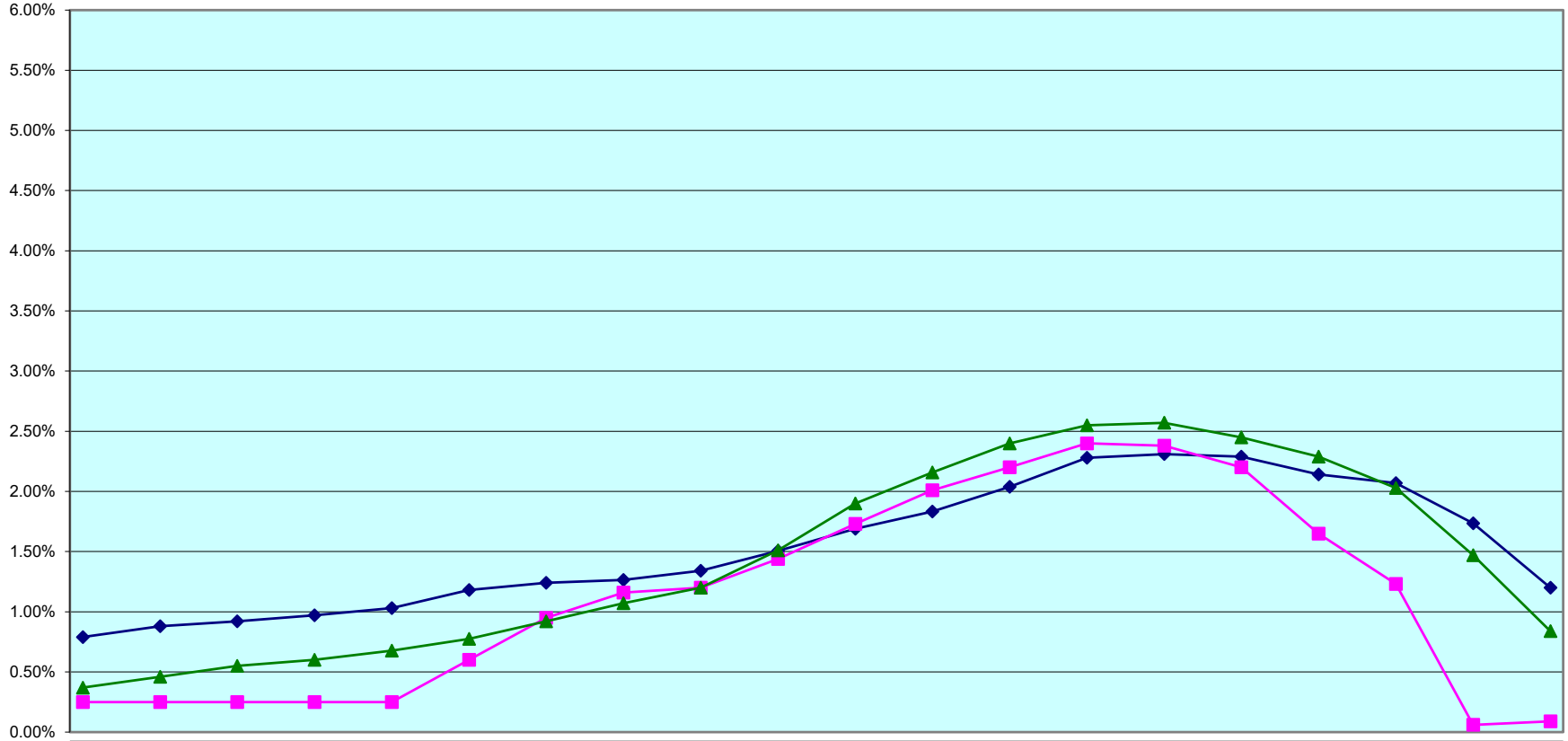
DETAILED LISTING OF INVESTMENTS:

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

SONOMA COUNTY'S POOLED INVESTMENTS AS OF 09/30/2020



SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Pool	0.79%	0.88%	0.92%	0.97%	1.03%	1.18%	1.24%	1.26%	1.34%	1.51%	1.69%	1.83%	2.04%	2.28%	2.31%	2.29%	2.14%	2.07%	1.74%	1.20%
Fed Fund	0.25%	0.25%	0.25%	0.25%	0.25%	0.60%	0.95%	1.16%	1.20%	1.44%	1.73%	2.01%	2.20%	2.40%	2.38%	2.20%	1.65%	1.23%	0.06%	0.09%
LAIF	0.37%	0.46%	0.55%	0.60%	0.68%	0.78%	0.92%	1.07%	1.20%	1.51%	1.90%	2.16%	2.40%	2.55%	2.57%	2.45%	2.29%	2.03%	1.47%	0.84%

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

SONOMA COUNTY POOLED INVESTMENTS
AS OF 9/30/2020

	BOOK VALUE
CHECKS AND WARRANTS IN TRANSIT	$0
CASH IN VAULT	$47,605
CASH IN BANK	$11,049,186
TREASURY BILLS AND NOTES	$0
BANKERS ACCEPTANCES	$0
OTHER GOVERNMENTS	$1,370,057,691
COMMERCIAL PAPER	$0
CORPORATE BONDS AND NOTES	$881,073,628
NEGOTIABLE CERTIFICATES OF DEPOSIT	$364,000,000
OTHER GOVERNMENT POOLS AND JPA'S	$0
MONEY MARKET MUTUAL FUNDS	$83,022,189
TOTAL	$2,709,250,300

SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF SEPTEMBER 30, 2020

Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
RIVERSIDE COUNTY DE	10/01/2020	04/16/2020	2.25000	1.65051	1,310,000.00	1,311,228.13
FEDERAL NATL MTG ASSN	10/30/2020	10/30/2017	1.80000	1.80000	5,000,000.00	5,000,000.00
VENTURA COUNTY CA	11/01/2020	06/11/2020	.59800	.45117	215,000.00	215,026.56
FHLMC	12/18/2020	12/18/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	02/03/2021	02/12/2020	1.50000	1.54031	6,900,000.00	6,899,057.77
RIVERSIDE COUNTY CA	02/15/2021	05/06/2020	2.16500	1.90414	1,000,000.00	1,000,966.21
FHLMC	02/16/2021	12/30/2019	2.37500	1.64541	2,507,000.00	2,513,777.25
SMART RAIL	03/01/2021	04/08/2020	5.00000	2.00055	250,000.00	253,061.56
FEDERAL NATL MTG ASSN	04/13/2021	04/13/2018	2.50000	2.55993	15,000,000.00	14,995,433.21
FEDERAL NATL MTG ASSN	05/06/2021	06/25/2020	1.25000	.20252	4,645,000.00	4,681,817.15
UNIV CALIFORNIA	05/15/2021	11/13/2019	1.91000	1.81934	3,710,000.00	3,712,046.50
UNIV CALIFORNIA	05/15/2021	04/21/2020	5.03500	1.35046	1,150,000.00	1,175,976.63
CAL STATE HEALTH FA	06/01/2021	04/16/2020	1.89600	1.24003	7,250,000.00	7,281,291.42
FEDERAL HOME LOAN BANK	06/11/2021	12/13/2019	2.25000	1.69740	4,310,000.00	4,326,216.66
FEDERAL HOME LOAN BANK	06/11/2021	12/30/2019	5.62500	1.65570	1,035,000.00	1,062,977.39
CDC NOTE 2020 SERIES	06/15/2021	07/21/2020	2.50000	2.50000	1,680,000.00	1,680,000.00
AIRPORT NOTE 2021-0	06/15/2021	08/18/2020	2.50000	2.50000	1,500,000.00	1,500,000.00
FEDERAL NATL MTG ASSN	06/22/2021	06/25/2018	2.75000	2.75812	20,000,000.00	19,998,888.95
FEDERAL NATL MTG ASSN	06/22/2021	12/30/2019	2.75000	1.65486	5,150,000.00	5,190,083.01
FEDERAL FARM CREDIT BANK	06/24/2021	06/17/2020	1.90000	.21301	1,000,000.00	1,012,277.48
SAN DIEGO WATER	08/01/2021	05/11/2020	1.13100	1.00090	750,000.00	750,805.91
BELLEVUE UNIFIED SC	08/01/2021	05/20/2020	4.00000	1.02270	975,000.00	998,921.79
WEST SIDE UNION SCH	08/01/2021	06/04/2020	4.00000	.40054	100,000.00	102,986.81
CLOVERDALE CA DEVL	08/01/2021	09/17/2020	.85000	.80062	160,000.00	160,065.77
FEDERAL NATL MTG ASSN	08/17/2021	06/24/2020	1.25000	.20047	27,086,000.00	27,334,648.19
SAN DIEGO CA	09/01/2021	04/09/2020	2.25000	1.75001	1,000,000.00	1,004,499.52
MTN VIEW-WHISMAN SC	09/01/2021	05/19/2020	3.45000	.89847	400,000.00	409,251.70
SCEIP 2010J-10	09/02/2021	10/01/2010	3.00000	3.00000	2,181.51	2,181.51
SCEIP 2010L-10	09/02/2021	12/01/2010	3.00000	3.00000	14,082.46	14,082.46
SCEIP 2011A-10	09/02/2021	01/03/2011	3.00000	3.00000	1,528.66	1,528.66
SCEIP 2011C-10	09/02/2021	03/01/2011	3.00000	3.00000	6,129.46	6,129.46
SCEIP 2011D-10	09/02/2021	04/01/2011	3.00000	3.00000	36,478.83	36,478.83
SCEIP 2011E-10	09/02/2021	05/02/2011	3.00000	3.00000	3,756.46	3,756.46
SCEIP 2011F-10	09/02/2021	06/01/2011	3.00000	3.00000	2,276.78	2,276.78
SCEIP 2011G-10	09/02/2021	06/30/2011	3.00000	3.00000	1,683.09	1,683.09
SCEIP 2011H-10	09/02/2021	08/01/2011	3.00000	3.00000	7,324.80	7,324.80
FEDERAL HOME LOAN BANK	09/10/2021	12/13/2019	2.37500	1.68161	3,200,000.00	3,220,460.72
FEDERAL FARM CREDIT BANK	09/20/2021	12/20/2019	1.65000	1.67903	15,000,000.00	14,995,934.54
FEDERAL FARM CREDIT BANK	09/20/2021	12/30/2019	2.85000	1.64527	1,000,000.00	1,011,440.39
RIVERSIDE COUNTY DE	10/01/2021	04/16/2020	2.50000	1.70008	1,360,000.00	1,372,099.06
FEDERAL NATL MTG ASSN	10/07/2021	06/17/2020	1.37500	.20697	20,000,000.00	20,290,227.78
FEDERAL FARM CREDIT BANK	10/07/2021	12/30/2019	1.95000	1.64487	1,250,000.00	1,253,791.69
FEDERAL HOME LOAN BANK	10/12/2021	06/19/2020	3.00000	.21267	2,510,000.00	2,595,877.56
FEDERAL HOME LOAN BANK	10/12/2021	06/26/2020	3.00000	.20134	6,125,000.00	6,338,831.04
CAL STATE UNIVERSIT	11/01/2021	04/03/2020	5.00000	1.60011	1,000,000.00	1,036,202.77
LOS ANGELES CA	11/01/2021	04/09/2020	3.43200	2.00019	1,585,000.00	1,609,062.13
LOS ANGELES CA	11/01/2021	04/21/2020	3.43200	1.80007	450,000.00	457,803.82
VENTURA COUNTY CA	11/01/2021	06/11/2020	.69800	.65026	500,000.00	500,257.24
FEDERAL NATL MTG ASSN	01/05/2022	06/11/2020	2.00000	.23651	11,395,000.00	11,647,661.96
FEDERAL NATL MTG ASSN	01/11/2022	01/11/2019	2.62500	2.62500	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	01/28/2022	06/12/2020	1.55000	.24660	20,000,000.00	20,344,250.08
FEDERAL HOME LOAN BANK	03/11/2022	07/10/2020	2.50000	.20859	10,000,000.00	10,329,643.94
CALIFORNIA STATE	04/01/2022	11/18/2019	2.35000	1.80825	3,680,000.00	3,709,089.01
FEDERAL FARM CREDIT BANK	04/08/2022	06/11/2020	.37500	.25666	4,250,000.00	4,260,400.54
FEDERAL FARM CREDIT BANK	05/06/2022	06/17/2020	.25000	.25903	6,400,000.00	6,400,901.84

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FEDERAL FARM CREDIT BANK	05/06/2022	06/29/2020	.25000	.25000	1,000,000.00	1,000,368.06
FEDERAL FARM CREDIT BANK	05/18/2022	06/17/2020	.16000	.26401	5,289,000.00	5,280,750.38
FHLMC	05/19/2022	05/21/2020	.27000	.28258	19,100,000.00	19,096,383.85
FHLMC	05/19/2022	05/21/2020	.35000	.35000	10,000,000.00	10,000,194.44
FHLMC	05/19/2022	05/26/2020	.35000	.35000	15,000,000.00	15,001,020.83
FHLMC	05/19/2022	06/05/2020	.27000	.28283	5,600,000.00	5,599,503.70
CAL STATE HEALTH FA	06/01/2022	05/18/2020	1.89300	1.35035	500,000.00	504,437.42
FEDERAL FARM CREDIT BANK	06/02/2022	06/03/2020	.25000	.26105	25,000,000.00	24,995,578.96
FEDERAL HOME LOAN BANK	06/03/2022	06/18/2020	.25000	.25804	20,000,000.00	19,998,154.45
FHLMC	06/08/2022	06/11/2020	.30000	.33025	27,500,000.00	27,486,729.46
FEDERAL HOME LOAN BANK	06/10/2022	06/19/2020	2.12500	.26026	10,000,000.00	10,319,460.49
FEDERAL FARM CREDIT BANK	06/22/2022	06/22/2020	.26000	.27706	20,000,000.00	19,994,140.83
FEDERAL FARM CREDIT BANK	07/01/2022	07/01/2019	1.75000	1.80021	15,000,000.00	14,987,251.62
LA UNIFIED SCHOOLS	07/01/2022	04/30/2020	5.00000	1.08023	870,000.00	928,736.85
LARKSPUR CA	07/01/2022	05/14/2020	5.00000	1.45188	595,000.00	631,199.59
SOUTHERN CA PUBLIC	07/01/2022	05/27/2020	5.00000	.55077	1,220,000.00	1,314,145.94
FEDERAL FARM CREDIT BANK	07/13/2022	07/13/2020	.20000	.23360	28,000,000.00	27,983,295.89
FEDERAL FARM CREDIT BANK	07/21/2022	07/21/2020	.22000	.25009	15,000,000.00	14,991,887.67
FEDERAL FARM CREDIT BANK	07/21/2022	07/29/2020	.22000	.25804	15,000,000.00	14,990,480.56
SAN DIEGO WATER	08/01/2022	05/11/2020	1.23100	1.02038	1,000,000.00	1,003,806.38
BELLEVUE UNIFIED SC	08/01/2022	05/20/2020	4.00000	1.15156	955,000.00	1,004,042.95
SEBASTOPOL UNIFIED	08/01/2022	05/21/2020	4.00000	.97103	250,000.00	263,684.47
GEYSERVILLE UNIFIED	08/01/2022	06/03/2020	4.00000	.88108	395,000.00	417,315.99
WEST SIDE UNION SCH	08/01/2022	06/04/2020	4.00000	.50079	100,000.00	106,369.93
CLOVERDALE CA DEVL	08/01/2022	09/17/2020	.90000	.85046	180,000.00	180,162.21
CLOVERDALE CA DEVL	08/01/2022	09/17/2020	.90000	.90000	180,000.00	180,000.00
FHLMC	08/26/2022	06/05/2020	.30000	.30904	6,600,000.00	6,599,366.82
FHLMC	08/26/2022	06/10/2020	.30000	.32272	11,475,000.00	11,471,404.64
FEDERAL HOME LOAN BANK	08/26/2022	07/08/2020	.20000	.21881	1,175,000.00	1,174,581.28
FHLMC	09/01/2022	06/05/2020	.34000	.34675	5,500,000.00	5,499,501.80
CALIFORNIA STATE	09/01/2022	03/24/2020	5.00000	2.60008	2,415,000.00	2,521,780.40
MANHATTAN BEACH SCH	09/01/2022	05/06/2020	.00000	1.05976	300,000.00	293,999.65
SCEIP 2011J-10	09/02/2022	10/03/2011	3.00000	3.00000	1,263.18	1,263.18
SCEIP 2011K-10	09/02/2022	11/01/2011	3.00000	3.00000	14,175.20	14,175.20
SCEIP 2012A-10	09/02/2022	01/03/2012	3.00000	3.00000	1,349.06	1,349.06
SCEIP 2012B-10	09/02/2022	02/01/2012	3.00000	3.00000	2,676.35	2,676.35
SCEIP 2012C-10	09/02/2022	03/01/2012	3.00000	3.00000	3,198.76	3,198.76
SCEIP 2012D-10	09/02/2022	04/02/2012	3.00000	3.00000	3,384.87	3,384.87
SCEIP 2012G-10	09/02/2022	06/29/2012	3.00000	3.00000	2,040.52	2,040.52
SCEIP 2012H-10	09/02/2022	08/01/2012	3.00000	3.00000	4,247.87	4,247.87
FEDERAL NATL MTG ASSN	09/06/2022	07/08/2020	1.37500	.21895	7,767,000.00	7,939,658.93
FEDERAL FARM CREDIT BANK	09/29/2022	06/26/2020	1.40000	.25177	1,000,000.00	1,022,801.83
RIVERSIDE COUNTY DE	10/01/2022	04/16/2020	2.50000	1.70031	1,000,000.00	1,016,625.31
SAN MARCOS DEV AGEN	10/01/2022	04/17/2020	2.25000	1.65029	750,000.00	759,520.98
FEDERAL NATL MTG ASSN	10/05/2022	07/17/2020	2.00000	.22034	19,800,000.00	20,617,867.60
SAN DIEGO PUBLIC FA	10/15/2022	09/09/2020	3.23100	.43512	1,000,000.00	1,069,627.29
FHLMC	10/20/2022	07/21/2020	.32000	.32000	16,000,000.00	16,000,142.22
SAN FRANCISCO WATER	11/01/2022	04/13/2020	2.40000	1.50001	4,205,000.00	4,282,013.00
LOS ANGELES CA	11/01/2022	04/21/2020	3.59200	1.80019	1,250,000.00	1,295,379.99
VENTURA COUNTY CA	11/01/2022	06/11/2020	.84800	.75031	250,000.00	250,503.40
CALIFORNIA FINANCE	11/01/2022	07/15/2020	1.48600	1.08041	470,000.00	474,200.22
CALIFORNIA FINANCE	11/01/2022	08/20/2020	1.48600	.80055	500,000.00	508,092.28
CAL STATE UNIV	11/01/2022	09/17/2020	.34900	.30026	1,750,000.00	1,751,769.94
FEDERAL HOME LOAN BANK	11/04/2022	12/11/2019	1.80000	1.77488	17,340,000.00	17,348,756.80
FHLMC	11/10/2022	06/04/2020	.35000	.36032	1,175,000.00	1,174,996.88

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CAL STATE HEALTH FA	11/15/2022	05/26/2020	5.00000	1.05027	390,000.00	422,738.76
FHLMC	11/18/2022	05/20/2020	.45000	.45807	15,000,000.00	14,997,815.77
FHLMC	11/18/2022	08/21/2020	.25000	.26344	17,000,000.00	16,995,391.42
FHLMC	11/21/2022	06/04/2020	.34000	.35224	12,900,000.00	12,898,225.53
FHLMC	12/02/2022	06/10/2020	.34000	.36029	12,170,000.00	12,165,594.30
FHLMC	01/13/2023	07/15/2020	.35000	.35000	11,000,000.00	11,000,213.89
FEDERAL FARM CREDIT BANK	01/13/2023	07/17/2020	.34000	.36828	20,000,000.00	19,987,924.79
FEDERAL NATL MTG ASSN	01/27/2023	01/27/2020	1.70000	1.70000	10,000,000.00	10,000,000.00
FHLMC	02/21/2023	06/04/2020	.37500	.38614	4,000,000.00	3,999,485.62
FHLMC	02/21/2023	06/05/2020	.37500	.38429	3,850,000.00	3,849,713.57
FEDERAL FARM CREDIT BANK	02/24/2023	09/03/2020	.26000	.28637	18,000,000.00	17,989,832.39
CALIFORNIA STATE	03/01/2023	03/24/2020	4.00000	2.65112	5,410,000.00	5,578,373.47
FEDERAL FARM CREDIT BANK	04/13/2023	07/17/2020	.37000	.39574	20,000,000.00	19,987,886.22
UNIV CALIFORNIA	05/15/2023	05/06/2020	2.90900	1.20030	3,000,000.00	3,131,475.97
FEDERAL NATL MTG ASSN	06/01/2023	06/01/2020	.45000	.45000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	06/02/2023	06/02/2020	.40000	.40839	14,000,000.00	13,996,886.76
FEDERAL FARM CREDIT BANK	06/15/2023	06/15/2020	.48000	.52205	15,000,000.00	14,983,099.31
LA UNIFIED SCHOOLS	07/01/2023	03/27/2020	5.00000	1.76004	1,645,000.00	1,786,609.04
LARKSPUR CA	07/01/2023	05/14/2020	5.00000	1.55116	720,000.00	786,346.48
SOUTHERN CA PUBLIC	07/01/2023	05/27/2020	5.00000	.70060	2,000,000.00	2,233,246.32
FEDERAL NATL MTG ASSN	07/13/2023	07/16/2020	.42000	.43010	15,283,000.00	15,279,273.31
FEDERAL NATL MTG ASSN	07/20/2023	07/24/2020	.40000	.41685	16,075,000.00	16,068,185.27
LOS ANGELES DEV AGE	08/01/2023	04/17/2020	3.89000	1.90010	1,500,000.00	1,581,527.59
SAN DIEGO WATER	08/01/2023	05/11/2020	1.32700	1.12056	600,000.00	603,436.72
CLOVERDALE CA DEVL	08/01/2023	09/17/2020	.95000	.95000	365,000.00	365,000.00
CLOVERDALE CA DEVL	08/01/2023	09/17/2020	.95000	.90023	370,000.00	370,514.73
FEDERAL NATL MTG ASSN	08/10/2023	08/13/2020	.30000	.36492	20,000,000.00	19,963,632.05
SACRAMENTO MUNI UTI	08/15/2023	05/04/2020	5.00000	2.23772	250,000.00	268,998.29
FHLMC	08/17/2023	08/17/2020	.35000	.36677	25,000,000.00	24,988,013.70
FEDERAL HOME LOAN BANK	08/24/2023	08/26/2020	.33000	.34344	11,370,000.00	11,365,810.25
FEDERAL HOME LOAN BANK	08/25/2023	08/28/2020	.32000	.34522	10,000,000.00	9,993,000.18
FEDERAL NATL MTG ASSN	08/25/2023	08/25/2020	.34500	.34500	20,000,000.00	20,000,000.00
MTN VIEW-WHISMAN SC	09/01/2023	05/19/2020	1.16400	1.04989	225,000.00	225,730.86
SCEIP 2012J-10	09/02/2023	11/01/2012	3.00000	3.00000	24,448.54	24,448.54
SCEIP 2013A-10	09/02/2023	01/02/2013	3.00000	3.00000	3,910.27	3,910.27
SCEIP 2013C-10	09/02/2023	03/01/2013	3.00000	3.00000	9,314.39	9,314.39
SCEIP 2013E-10	09/02/2023	05/01/2013	3.00000	3.00000	3,912.30	3,912.30
SCEIP 2013H-10	09/02/2023	08/01/2013	3.00000	3.00000	8,089.00	8,089.00
SCEIP 2013I-10	09/02/2023	09/03/2013	3.00000	3.00000	13,308.03	13,308.03
FHLMC	09/08/2023	09/04/2020	.25000	.26101	13,000,000.00	12,995,815.40
FHLMC	10/13/2023	01/13/2020	1.83000	1.83000	22,200,000.00	22,200,000.00
FEDERAL NATL MTG ASSN	10/30/2023	02/05/2020	1.70000	1.70577	6,940,000.00	6,938,855.39
VENTURA COUNTY CA	11/01/2023	06/11/2020	1.04800	.95038	230,000.00	230,679.87
CALIFORNIA FINANCE	11/01/2023	07/15/2020	1.60500	1.32038	350,000.00	353,229.08
CAL STATE UNIVERSIT	11/01/2023	09/17/2020	.47500	.42527	4,250,000.00	4,256,464.62
CAL STATE UNIVERSIT	11/01/2023	09/17/2020	.47500	.42527	800,000.00	801,216.87
FHLMC	11/20/2023	05/20/2020	.55000	.55000	4,500,000.00	4,500,000.00
SAC COUNTY SANITATI	12/01/2023	04/21/2020	3.20300	1.60020	400,000.00	419,635.35
FEDERAL NATL MTG ASSN	12/11/2023	06/11/2020	.55000	.56445	15,000,000.00	14,993,157.28
FHLMC	02/05/2024	08/05/2020	.45000	.46442	25,000,000.00	24,988,057.08
FEDERAL HOME LOAN BANK	03/25/2024	03/25/2020	1.55000	1.55000	12,545,000.00	12,545,000.00
FEDERAL HOME LOAN BANK	04/02/2024	04/02/2020	1.15000	1.15000	20,000,000.00	20,000,000.00
SAN DIEGO COUNTY WA	05/01/2024	07/22/2020	.59300	.52017	1,000,000.00	1,002,579.96
UNIV CALIFORNIA	05/15/2024	04/16/2020	3.25900	1.86024	235,000.00	246,407.23
UNIV CALIFORNIA	05/15/2024	05/05/2020	2.33700	1.65007	100,000.00	102,395.97

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BEVERLY HILLS WATER	06/01/2024	08/12/2020	.56900	.50018	225,000.00	225,561.77
LA DEPT WATER & POW	07/01/2024	04/30/2020	5.00000	2.42587	875,000.00	954,800.64
LARKSPUR CA	07/01/2024	05/14/2020	5.00000	1.65100	850,000.00	952,723.54
CALIFORNIA STATE	08/01/2024	03/24/2020	5.00000	2.70010	1,800,000.00	1,948,602.38
LA COUNTY TRANSPORT	08/01/2024	04/15/2020	5.00000	1.75010	2,000,000.00	2,238,883.36
SAN DIEGO WATER	08/01/2024	05/11/2020	1.53200	1.22042	1,000,000.00	1,011,604.67
SAN FRANCISCO DEV A	08/01/2024	05/20/2020	3.76000	2.04023	475,000.00	504,833.96
CAL STATE HOUSING	08/01/2024	08/20/2020	3.12800	.80012	3,265,000.00	3,556,537.29
NAPA VALLEY COMM CO	08/01/2024	05/04/2020	.00000	1.27934	2,595,000.00	2,471,501.44
MTN VIEW-WHISMAN SC	09/01/2024	05/19/2020	1.32900	1.14985	225,000.00	226,531.75
SCEIP 2013J-10	09/02/2024	10/01/2013	3.00000	3.00000	54,453.91	54,453.91
SCEIP 2013L-10	09/02/2024	12/02/2013	3.00000	3.00000	12,687.56	12,687.56
SCEIP 2014B-10	09/02/2024	02/03/2014	3.00000	3.00000	8,849.72	8,849.72
SCEIP 2014C-10	09/02/2024	03/03/2014	3.00000	3.00000	24,194.76	24,194.76
SCEIP 2014D-10	09/02/2024	04/01/2014	3.00000	3.00000	3,389.46	3,389.46
SCEIP 2014F-10	09/02/2024	06/02/2014	3.00000	3.00000	1,769.24	1,769.24
SCEIP 2014H-10	09/02/2024	08/01/2014	3.00000	3.00000	22,505.46	22,505.46
SCEIP 2014I-10	09/02/2024	09/02/2014	3.00000	3.00000	2,957.21	2,957.21
CALIFORNIA STATE	10/01/2024	03/24/2020	5.00000	2.70008	4,590,000.00	4,984,687.30
FHLMC	10/28/2024	10/28/2019	2.00000	2.00000	25,000,000.00	25,000,000.00
CALIFORNIA STATE	11/01/2024	03/24/2020	5.00000	4.60066	2,500,000.00	2,536,236.17
SAN FRANCISCO WATER	11/01/2024	05/20/2020	2.75000	1.02017	2,295,000.00	2,456,313.10
VENTURA COUNTY CA	11/01/2024	06/11/2020	1.22300	1.08015	500,000.00	502,841.69
CAL STATE UNIVERSIT	11/01/2024	09/17/2020	.68500	.68500	2,650,000.00	2,650,000.00
CAL STATE UNIVERSIT	11/01/2024	09/17/2020	.68500	.63499	6,000,000.00	6,012,066.77
CAL STATE UNIVERSIT	11/01/2024	09/17/2020	.68500	.63499	1,250,000.00	1,252,513.91
FHLMC	01/21/2025	04/20/2020	1.00000	1.00000	9,645,000.00	9,645,803.75
FHLMC	02/26/2025	05/26/2020	.75000	.75000	2,500,000.00	2,500,000.00
FEDERAL FARM CREDIT BANK	03/17/2025	03/19/2020	1.12500	1.13016	2,650,000.00	2,649,408.70
CAL STATE HOUSING	04/01/2025	09/16/2020	5.00000	.57013	540,000.00	649,654.28
FEDERAL HOME LOAN BANK	04/02/2025	04/02/2020	1.10000	1.10000	10,750,000.00	10,750,000.00
FHLMC	04/08/2025	04/08/2020	1.02000	1.02000	25,000,000.00	25,000,000.00
FEDERAL FARM CREDIT BANK	04/09/2025	04/09/2020	1.15000	1.18098	16,281,000.00	16,258,918.99
FEDERAL FARM CREDIT BANK	04/09/2025	04/09/2020	1.15000	1.15000	25,000,000.00	25,000,000.00
FHLMC	04/16/2025	04/17/2020	1.17000	1.17000	25,000,000.00	25,000,000.00
FEDERAL NATL MTG ASSN	04/16/2025	04/16/2020	1.12500	1.12500	20,000,000.00	20,000,000.00
FHLMC	04/23/2025	04/24/2020	1.06000	1.06000	20,000,000.00	20,000,000.00
FEDERAL NATL MTG ASSN	04/23/2025	04/23/2020	1.10000	1.10000	15,000,000.00	15,000,000.00
UNIV CALIFORNIA	05/15/2025	05/15/2020	2.92500	1.50014	540,000.00	574,119.34
UNIV CALIFORNIA	05/15/2025	05/15/2020	2.48700	1.50008	300,000.00	313,129.22
UNIV CALIFORNIA	05/15/2025	05/15/2020	3.35900	1.50016	285,000.00	308,492.07
ONTARIO CA	06/01/2025	06/01/2020	2.53700	1.61992	1,000,000.00	1,041,643.64
ONTARIO CA	06/01/2025	06/01/2020	2.53700	2.19992	1,500,000.00	1,523,271.60
ONTARIO CA	06/01/2025	08/07/2020	2.53700	.93011	375,000.00	404,439.32
BEVERLY HILLS WATER	06/01/2025	08/12/2020	.71900	.65019	205,000.00	205,647.25
UNIV CALIFORNIA	07/01/2025	09/01/2020	3.06300	.70878	6,340,000.00	7,068,250.57
SOUTHERN CA PUBLIC	07/01/2025	09/24/2020	.88300	.81130	6,400,000.00	6,421,353.80
FEDERAL FARM CREDIT BANK	07/22/2025	07/27/2020	.69000	.70124	20,000,000.00	19,991,315.35
FEDERAL NATL MTG ASSN	08/19/2025	08/19/2020	.55000	.55000	25,000,000.00	25,000,000.00
FEDERAL NATL MTG ASSN	08/28/2025	08/28/2020	.60000	.60000	20,000,000.00	20,000,000.00
LOS ANGELES DEV AGE	09/01/2025	09/01/2020	2.25000	.88002	250,000.00	266,442.84
SCEIP 2014J-10	09/02/2025	10/01/2014	3.00000	3.00000	3,111.06	3,111.06
SCEIP 2015A-10	09/02/2025	01/05/2015	3.00000	3.00000	11,339.93	11,339.93
SCEIP 2015C-10	09/02/2025	03/02/2015	3.00000	3.00000	2,362.03	2,362.03
SCEIP 2015H-10	09/02/2025	08/03/2015	3.00000	3.00000	6,293.07	6,293.07

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SCEIP 2015I-10	09/02/2025	09/02/2015	3.00000	3.00000	10,793.39	10,793.39
SCEIP 2015J-10	09/02/2026	10/01/2015	3.00000	3.00000	14,473.64	14,473.64
SCEIP 2015L-10	09/02/2026	12/01/2015	3.00000	3.00000	26,167.85	26,167.85
SCEIP 2016B-10	09/02/2026	02/01/2016	3.00000	3.00000	11,325.10	11,325.10
SCEIP 2016D-10	09/02/2026	04/01/2016	3.00000	3.00000	14,041.82	14,041.82
SCEIP 2016G-10	09/02/2026	06/30/2016	3.00000	3.00000	176,320.98	176,320.98
SCEIP 2016H-10	09/02/2026	08/01/2016	3.00000	3.00000	1,915.26	1,915.26
SCEIP 2016I-10	09/02/2026	09/02/2016	3.00000	3.00000	44,397.33	44,397.33
SCEIP 2016K-10	09/02/2027	11/01/2016	3.00000	3.00000	24,925.94	24,925.94
SCEIP 2016L-10	09/02/2027	12/01/2016	3.00000	3.00000	3,019.39	3,019.39
SCEIP 2017A-10	09/02/2027	01/03/2017	3.00000	3.00000	15,496.40	15,496.40
SCEIP 2017B-10	09/02/2027	02/01/2017	3.00000	3.00000	46,080.11	46,080.11
SCEIP 2017F-10	09/02/2027	06/01/2017	3.00000	3.00000	8,193.52	8,193.52
SCEIP 2017I-10	09/02/2027	09/05/2017	3.00000	3.00000	7,683.79	7,683.79
SCEIP 2017J-10	09/02/2028	10/02/2017	3.00000	3.00000	106,848.95	106,848.95
SCEIP 2017L-10	09/02/2028	12/01/2017	3.00000	3.00000	80,982.64	80,982.64
SCEIP 2018C-10	09/02/2028	03/02/2018	3.00000	3.00000	12,987.44	12,987.44
SCEIP 2018D-10	09/02/2028	04/02/2018	3.00000	3.00000	43,284.28	43,284.28
SCEIP 2018G-10	09/02/2028	06/29/2018	3.00000	3.00000	57,785.94	57,785.94
SCEIP 2009B-20	09/02/2029	06/01/2009	3.00000	3.00000	58,284.66	58,284.66
SCEIP 2009C-20	09/02/2029	07/01/2009	3.00000	3.00000	30,905.79	30,905.79
SCEIP 2009D-20	09/02/2029	08/03/2009	3.00000	3.00000	171,368.38	171,368.38
SCEIP 2009E-20	09/02/2029	09/01/2009	3.00000	3.00000	1,743,397.48	1,743,397.48
SCEIP 2009F-20	09/02/2029	10/01/2009	3.00000	3.00000	460,524.24	460,524.24
SCEIP 2018J-10	09/02/2029	10/01/2018	3.00000	3.00000	104,836.96	104,836.96
SCEIP 2018K-10	09/02/2029	11/01/2018	3.00000	3.00000	66,417.11	66,417.11
SCEIP 2019B-10	09/02/2029	02/01/2019	3.00000	3.00000	26,347.49	26,347.49
SCEIP 2019C-10	09/02/2029	03/01/2019	3.00000	3.00000	10,559.46	10,559.46
SCEIP 2019D-10	09/02/2029	04/02/2019	3.00000	3.00000	47,899.62	47,899.62
SCEIP 2019E-10	09/02/2029	05/01/2019	3.00000	3.00000	67,455.38	67,455.38
SCEIP 2019G-10	09/02/2029	06/28/2019	3.00000	3.00000	10,351.46	10,351.46
SCEIP 2019H-10	09/02/2029	08/01/2019	3.00000	3.00000	34,439.90	34,439.90
SCEIP 2019I-10	09/02/2029	09/02/2019	3.00000	3.00000	15,451.88	15,451.88
SCEIP 2009G-20	09/02/2030	11/02/2009	3.00000	3.00000	213,758.02	213,758.02
SCEIP 2009H-20	09/02/2030	12/01/2009	3.00000	3.00000	994,272.13	994,272.13
SCEIP 2010A-20	09/02/2030	01/04/2010	3.00000	3.00000	680,615.09	680,615.09
SCEIP 2010B-20	09/02/2030	02/01/2010	3.00000	3.00000	639,795.96	639,795.96
SCEIP 2010C-20	09/02/2030	03/01/2010	3.00000	3.00000	423,384.36	423,384.36
SCEIP 2010D-20	09/02/2030	04/01/2010	3.00000	3.00000	421,344.24	421,344.24
SCEIP 2010E-20	09/02/2030	05/03/2010	3.00000	3.00000	310,305.01	310,305.01
SCEIP 2010F-20	09/02/2030	06/01/2010	3.00000	3.00000	640,788.70	640,788.70
SCEIP 2010G-20	09/02/2030	06/30/2010	3.00000	3.00000	376,892.11	376,892.11
SCEIP 2010H-20	09/02/2030	08/02/2010	3.00000	3.00000	242,433.14	242,433.14
SCEIP 2010I-20	09/02/2030	09/01/2010	3.00000	3.00000	489,020.97	489,020.97
SCEIP 2020A-10	09/02/2030	01/02/2020	3.00000	3.00000	16,231.71	16,231.71
SCEIP 2020B-10	09/02/2030	02/03/2020	3.00000	3.00000	35,578.41	35,578.41
SCEIP 2020C-10	09/02/2030	03/02/2020	3.00000	3.00000	24,653.70	24,653.70
SCEIP 2020D-10	09/02/2030	04/01/2020	3.00000	3.00000	26,284.74	26,284.74
SCEIP 2020E-10	09/02/2030	05/01/2020	3.00000	3.00000	22,332.28	22,332.28
SCEIP 2020F-10	09/02/2030	06/01/2020	3.00000	3.00000	17,537.93	17,537.93
SCEIP 2020H-10	09/02/2030	08/03/2020	3.00000	3.00000	48,452.69	48,452.69
SCEIP 2020I-10	09/02/2030	09/02/2020	3.00000	3.00000	37,629.00	37,629.00
SCEIP 2010J-20	09/02/2031	10/01/2010	3.00000	3.00000	233,961.85	233,961.85
SCEIP 2010K-20	09/02/2031	11/01/2010	3.00000	3.00000	221,517.12	221,517.12
SCEIP 2010L-20	09/02/2031	12/01/2010	3.00000	3.00000	350,897.97	350,897.97

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Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
SCEIP 2011A-20	09/02/2031	01/03/2011	3.00000	3.00000	236,650.35	236,650.35
SCEIP 2011B-20	09/02/2031	02/01/2011	3.00000	3.00000	380,114.94	380,114.94
SCEIP 2011C-20	09/02/2031	03/01/2011	3.00000	3.00000	172,709.33	172,709.33
SCEIP 2011D-20	09/02/2031	04/01/2011	3.00000	3.00000	220,948.19	220,948.19
SCEIP 2011E-20	09/02/2031	05/02/2011	3.00000	3.00000	230,759.87	230,759.87
SCEIP 2011F-20	09/02/2031	06/01/2011	3.00000	3.00000	207,736.31	207,736.31
SCEIP 2011G-20	09/02/2031	06/30/2011	3.00000	3.00000	343,955.25	343,955.25
SCEIP 2014F-20	09/02/2034	06/02/2014	3.00000	3.00000	67,547.07	67,547.07
SCEIP 2014G-20	09/02/2034	06/30/2014	3.00000	3.00000	171,718.61	171,718.61
SCEIP 2014H-20	09/02/2034	08/01/2014	3.00000	3.00000	100,430.48	100,430.48
SCEIP 2014I-20	09/02/2034	09/02/2014	3.00000	3.00000	82,119.62	82,119.62
SCEIP 2014J-20	09/02/2035	10/01/2014	3.00000	3.00000	123,254.59	123,254.59
SCEIP 2014K-20	09/02/2035	11/03/2014	3.00000	3.00000	68,080.29	68,080.29
SCEIP 2014L-20	09/02/2035	12/01/2014	3.00000	3.00000	41,057.82	41,057.82
SCEIP 2015A-20	09/02/2035	01/05/2015	3.00000	3.00000	140,040.79	140,040.79
SCEIP 2015B-20	09/02/2035	02/02/2015	3.00000	3.00000	72,668.93	72,668.93
SCEIP 2015C-20	09/02/2035	03/02/2015	3.00000	3.00000	134,837.62	134,837.62
SCEIP 2015D-20	09/02/2035	04/01/2015	3.00000	3.00000	64,176.40	64,176.40
SCEIP 2015E-20	09/02/2035	05/01/2015	3.00000	3.00000	46,411.68	46,411.68
SCEIP 2015F-20	09/02/2035	06/01/2015	3.00000	3.00000	32,605.38	32,605.38
SUBTOTAL OTHER GOVERNMENTS		**50.57%**			**1,362,858,148.03**	**1,370,057,691.01**
CANADIAN IMPERIAL BANK	11/24/2020	04/09/2020	1.20000	1.20000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	01/25/2021	02/18/2020	1.58000	1.58000	20,000,000.00	20,000,000.00
BANK OF MONTREAL	03/29/2021	04/06/2020	1.35000	1.35000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/01/2021	07/14/2020	.40000	.40000	15,000,000.00	15,000,000.00
SOCIETE GENERALE	07/06/2021	07/14/2020	.40000	.40000	25,000,000.00	25,000,000.00
TORONTO DOMINION	07/06/2021	07/16/2020	.35000	.35000	24,000,000.00	24,000,000.00
SEB BANK NY	07/21/2021	09/04/2020	.23000	.23000	25,000,000.00	25,000,000.00
CANADIAN IMPERIAL BANK	07/28/2021	09/28/2020	.22000	.22000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/30/2021	08/11/2020	.29000	.29000	25,000,000.00	25,000,000.00
NORDEA BANK NY	07/30/2021	09/24/2020	.21000	.21000	25,000,000.00	25,000,000.00
SOCIETE GENERALE	08/03/2021	09/02/2020	.26000	.26000	20,000,000.00	20,000,000.00
NORDEA BANK NY	08/27/2021	08/14/2020	.22000	.22000	25,000,000.00	25,000,000.00
TORONTO DOMINION	08/31/2021	08/28/2020	.22000	.22000	20,000,000.00	20,000,000.00
SOCIETE GENERALE	09/01/2021	09/04/2020	.27000	.27000	20,000,000.00	20,000,000.00
NORDEA BANK NY	09/28/2021	09/18/2020	.25000	.25000	20,000,000.00	20,000,000.00
CREDIT SUISSE	10/27/2021	09/21/2020	.31000	.31000	25,000,000.00	25,000,000.00
SUBTOTAL NEGOTIABLE CERTIFICATES OF DEPOSIT		**13.44%**			**364,000,000.00**	**364,000,000.00**
MICROSOFT CORP	10/01/2020	12/02/2019	3.00000	1.71353	23,687,000.00	23,687,000.00
BERKSHIRE HATHAWAY	10/15/2020	12/04/2019	2.90000	1.71226	10,000,000.00	10,004,487.97
INTER AMERICAN DEV BANK	11/09/2020	10/17/2019	2.12500	1.78624	10,000,000.00	10,003,549.10
INTER AMERICAN DEV BANK	11/09/2020	12/18/2019	2.12500	1.71669	1,400,000.00	1,400,599.44
INTER AMERICAN DEV BANK	11/09/2020	05/27/2020	2.12500	.20523	1,000,000.00	1,003,090.03
BANK OF NEW YORK	11/27/2020	04/15/2020	2.45000	1.41902	11,726,000.00	11,744,631.89
VISA INC	12/14/2020	11/05/2019	2.20000	1.75365	25,000,000.00	25,022,245.67
BERKSHIRE HATHAWAY	01/15/2021	04/01/2020	4.25000	1.78270	5,282,000.00	5,319,235.73
INTL FINANCE CORP	01/25/2021	05/21/2020	2.25000	.25511	840,000.00	845,282.50
TOYOTA	01/29/2021	05/04/2020	.00000	1.77327	20,000,000.00	19,737,500.00
IBM	02/05/2021	03/28/2018	2.65000	2.85032	10,000,000.00	9,993,352.25
CITIBANK	02/12/2021	04/16/2020	2.85000	1.42933	9,805,000.00	9,855,292.51
APPLE	02/23/2021	05/15/2019	2.25000	2.39222	15,000,000.00	14,991,735.00

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CISCO SYSTEMS	02/28/2021	11/08/2018	2.20000	3.23509	15,000,000.00	14,939,039.15
JOHNSON & JOHNSON	03/01/2021	03/23/2020	1.65000	1.78442	10,426,000.00	10,420,262.66
KIMBERLY CLARK	03/01/2021	04/08/2020	3.87500	1.69688	840,000.00	847,486.27
INTL FINANCE CORP	03/09/2021	11/07/2019	2.63600	1.76702	3,015,000.00	3,026,021.91
INTL FINANCE CORP	03/09/2021	05/27/2020	2.63600	.20428	1,455,000.00	1,469,867.55
TOYOTA	04/08/2021	06/13/2019	1.90000	2.23825	10,000,000.00	9,982,918.94
TOYOTA	04/08/2021	04/24/2020	1.90000	1.41652	9,778,000.00	9,810,456.26
TOYOTA	04/13/2021	11/26/2018	2.95000	3.18422	12,166,000.00	12,151,469.40
TOYOTA	04/13/2021	04/16/2019	2.95000	2.58912	5,200,000.00	5,209,644.59
TOYOTA	04/13/2021	09/30/2019	2.95000	1.89392	2,500,000.00	2,513,754.63
INTER AMERICAN DEV BANK	04/19/2021	05/27/2020	2.62500	.20319	3,275,000.00	3,327,400.64
INTER AMERICAN DEV BANK	04/19/2021	06/02/2020	2.62500	.29651	6,290,000.00	6,389,904.58
INTER AMERICAN DEV BANK	04/19/2021	06/12/2020	2.62500	.22316	2,160,000.00	2,196,753.93
BANK OF NEW YORK	05/03/2021	06/10/2020	2.05000	.44322	17,628,000.00	17,830,918.82
APPLE	05/06/2021	01/10/2020	2.85000	1.66881	12,697,000.00	12,784,859.28
APPLE	05/06/2021	01/13/2020	2.85000	1.66834	6,000,000.00	6,041,533.54
JOHNSON & JOHNSON	05/15/2021	11/18/2019	3.55000	1.70964	5,000,000.00	5,056,063.78
TOYOTA	05/17/2021	09/30/2019	2.75000	1.87405	6,324,000.00	6,357,902.17
INTL BANK RECON & DEV	05/24/2021	12/26/2019	1.37600	1.70918	16,972,000.00	16,936,142.95
INTL BANK RECON & DEV	05/24/2021	05/27/2020	1.37600	.20346	1,000,000.00	1,007,651.55
INTL BANK RECON & DEV	05/24/2021	06/25/2020	1.37600	.23278	16,000,000.00	16,136,726.39
BLACKROCK INC	05/24/2021	09/25/2020	4.25000	.24765	2,750,000.00	2,860,424.12
PFIZER INC	06/03/2021	09/12/2019	1.95000	1.85703	10,856,000.00	10,862,585.97
INTL BANK RECON & DEV	06/24/2021	11/07/2019	2.25000	1.71669	8,724,000.00	8,757,268.22
INTL FINANCE CORP	07/20/2021	08/18/2020	1.12600	.18353	3,000,000.00	3,025,257.33
INTL BANK RECON & DEV	07/23/2021	11/18/2019	2.75000	1.71320	10,000,000.00	10,081,497.28
INTL BANK RECON & DEV	07/23/2021	12/20/2019	2.75000	1.70702	9,683,000.00	9,763,138.89
INTL BANK RECON & DEV	07/23/2021	05/28/2020	2.75000	.25155	11,355,000.00	11,583,672.44
INTL BANK RECON & DEV	07/23/2021	06/05/2020	2.75000	.24255	2,555,000.00	2,606,757.01
CITIBANK	07/23/2021	04/03/2020	3.40000	2.03177	4,000,000.00	4,043,431.94
CITIBANK	07/23/2021	04/08/2020	3.40000	2.00651	1,770,000.00	1,789,577.86
CITIBANK	07/23/2021	04/22/2020	3.40000	1.36244	5,413,000.00	5,501,088.00
MICROSOFT CORP	08/08/2021	12/06/2019	1.55000	1.66219	7,890,000.00	7,882,570.37
MICROSOFT CORP	08/08/2021	07/13/2020	1.55000	.32561	3,170,000.00	3,202,929.57
INTER AMERICAN DEV BANK	09/14/2021	09/21/2020	1.25000	.18282	4,450,000.00	4,496,285.15
INTER AMERICAN DEV BANK	09/14/2021	09/21/2020	1.25000	.18252	1,000,000.00	1,010,404.08
ORACLE CORP	09/15/2021	08/23/2019	1.90000	1.90746	15,000,000.00	14,998,680.84
INTL BANK RECON & DEV	09/20/2021	09/21/2020	1.37600	.18246	3,840,000.00	3,884,535.10
PROCTOR AND GAMBLE	11/03/2021	01/07/2019	1.70000	2.72705	10,331,000.00	10,220,409.80
CREDIT SUISSE	11/12/2021	09/01/2020	2.10000	.31347	15,375,000.00	15,778,194.49
IBM INC	11/30/2021	07/24/2020	3.60000	.26931	5,000,000.00	5,219,927.63
IBM INC	11/30/2021	09/09/2020	3.60000	.20048	10,000,000.00	10,494,240.49
INTL BANK RECON & DEV	01/26/2022	06/03/2020	2.00000	.26840	675,000.00	690,370.36
MICROSOFT CORP	02/06/2022	12/24/2019	2.40000	1.77347	20,000,000.00	20,164,757.41
INTL BANK RECON & DEV	02/10/2022	01/10/2020	1.62600	1.63901	8,000,000.00	7,998,591.17
INTL BANK RECON & DEV	02/10/2022	08/18/2020	1.62600	.22149	12,000,000.00	12,232,643.65
3M COMPANY	03/01/2022	04/09/2020	2.75000	1.33900	8,465,000.00	8,631,247.20
KAISER FOUNDATION	04/01/2022	04/01/2020	3.50000	2.00024	1,000,000.00	1,021,924.95
MUFG BANK NY	04/01/2022	09/25/2020	3.15000	.51157	2,535,000.00	2,673,418.78
TOYOTA	04/12/2022	04/12/2019	2.65000	2.58099	15,000,000.00	15,015,120.99
IBM INC	05/13/2022	07/28/2020	2.85000	.32058	25,000,000.00	26,165,002.87
ORACLE CORP	05/15/2022	03/29/2019	2.50000	2.48246	10,000,000.00	10,002,636.99
CITIBANK	05/20/2022	08/11/2020	2.84400	1.75697	8,525,000.00	8,727,973.45
INTL BANK RECON & DEV	07/01/2022	06/05/2020	2.12600	.30755	1,500,000.00	1,547,495.55
INTL BANK RECON & DEV	07/01/2022	07/15/2020	2.12500	.20890	1,720,000.00	1,778,864.20

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INTL BANK RECON & DEV	07/01/2022	07/22/2020	2.12500	.20986	19,000,000.00	19,657,691.68
INTL BANK RECON & DEV	07/01/2022	09/25/2020	2.12500	.19612	1,100,000.00	1,142,505.72
TOYOTA	07/22/2022	07/27/2020	.45000	.39131	1,000,000.00	1,001,104.40
TOYOTA	07/22/2022	07/28/2020	.45000	.38515	5,000,000.00	5,006,137.92
INTER AMERICAN DEV BANK	09/14/2022	06/26/2020	1.75000	.29820	10,000,000.00	10,282,119.13
INTER AMERICAN DEV BANK	09/14/2022	07/08/2020	1.75000	.23375	1,450,000.00	1,492,753.20
INTER AMERICAN DEV BANK	09/14/2022	07/10/2020	1.75000	.23584	18,550,000.00	19,096,160.24
ORACLE CORP	10/15/2022	08/29/2019	2.50000	1.89395	10,000,000.00	10,119,183.20
INTL FINANCE CORP	10/24/2022	08/25/2020	2.00000	.20341	9,330,000.00	9,737,500.92
MICROSOFT CORP	11/03/2022	11/12/2019	2.65000	1.87091	17,340,000.00	17,613,128.45
MUFG BANK NY	12/09/2022	09/11/2020	2.10000	.51241	5,595,000.00	5,818,143.63
MUFG BANK NY	12/09/2022	09/25/2020	2.10000	.49456	5,600,000.00	5,830,110.70
TOYOTA	01/10/2023	12/12/2018	2.62500	3.57590	13,000,000.00	12,740,438.00
INTL BANK RECON & DEV	01/27/2023	02/10/2020	1.75000	1.75000	10,000,000.00	10,000,000.00
BERKSHIRE HATHAWAY	03/15/2023	01/11/2019	2.75000	3.23797	12,315,000.00	12,177,949.11
COLGATE-PALMOLIVE	05/01/2023	04/03/2020	2.10000	1.19382	5,000,000.00	5,114,499.57
APPLE	05/03/2023	04/12/2019	2.40000	2.64691	7,435,000.00	7,390,245.48
APPLE	05/03/2023	03/23/2020	2.40000	2.19004	20,000,000.00	20,104,205.62
BANK OF NEW YORK	05/16/2023	09/23/2020	2.66100	1.22815	2,500,000.00	2,615,697.56
MICROSOFT CORP	08/08/2023	12/06/2018	2.00000	3.26921	8,000,000.00	7,733,464.95
PROCTOR AND GAMBLE	08/15/2023	09/28/2020	3.10000	.32653	3,164,000.00	3,426,377.85
TOYOTA	08/25/2023	07/15/2020	1.35000	.64213	7,272,000.00	7,419,441.46
INTER AMERICAN DEV BANK	11/15/2023	09/02/2020	.25000	.29990	20,000,000.00	19,968,988.88
APPLE	02/09/2024	03/16/2020	3.00000	1.50944	10,000,000.00	10,483,517.20
INTER AMERICAN DEV BANK	04/09/2024	06/04/2020	2.37500	.44413	1,500,000.00	1,606,450.92
APPLE	05/11/2024	04/03/2020	2.85000	1.33504	4,682,000.00	4,930,317.04
WAL-MART INC	07/08/2024	03/13/2020	2.85000	1.23977	10,000,000.00	10,588,680.36
APPLE	09/11/2024	04/08/2020	1.80000	1.27580	3,286,000.00	3,351,829.08
INTL BANK RECON & DEV	09/17/2024	09/17/2019	1.85000	1.85000	10,000,000.00	10,000,000.00
INTL BANK RECON & DEV	11/13/2024	11/13/2019	2.05000	2.09234	10,000,000.00	9,983,535.83
INTL FINANCE CORP	12/15/2024	12/16/2019	1.62500	1.64591	10,000,000.00	9,991,588.16
JOHNSON & JOHNSON	01/15/2025	03/30/2020	2.62500	1.35767	11,300,000.00	11,892,156.96
INTL FINANCE CORP	07/15/2025	07/17/2020	.37500	.37500	20,000,000.00	20,000,000.00
SUBTOTAL CORPORATE NOTES AND BONDS		**32.52%**			**871,467,000.00**	**881,073,628.45**
CAMP	10/01/2020	07/08/2002	.27405	.27405	68,020,127.69	68,020,127.69
CAL TRUST MMF	10/01/2020	08/28/2009	.04950	.04950	15,002,061.41	15,002,061.41
SUBTOTAL MONEY MARKET MUTUAL FUNDS		**3.06%**			**83,022,189.10**	**83,022,189.10**
LOCAL AGENCY INVEST	10/01/2020	11/04/2002	.84000	.84000	0.00	0.00
SUBTOTAL GOVERNMENT POOLS AND JPA'S		**0.00%**			**0.00**	**0.00**
CASH IN BANK		**0.41%**			**11,049,186.34**	**11,049,186.34**
CHECK AND WARRANTS IN TRANSIT		**0.00%**			**0.00**	**0.00**
CASH IN VAULT		**0.00%**			**47,605.44**	**47,605.44**
GRAND TOTAL		**100%**			**2,692,444,128.91**	**2,709,250,300.34**

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series C Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series C Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series C Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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 any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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