

## PRELIMINARY OFFICIAL STATEMENT DATED MARCH 26, 2020

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

**RATING: S&P: "AAA"  
See "RATING" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.*

**\$3,000,000\***

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
(Sonoma County, California)  
**General Obligation Bonds, Election of 2018, Series B**  
(Bank Qualified)

**Dated: Date of Delivery**

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

**Authority and Purpose.** The above-captioned General Obligation Bonds, Election of 2018, Series B, are being issued by the Alexander Valley Union School District pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on March 9, 2020. The Bonds were authorized at an election of the registered voters of the District held on June 5, 2018, which authorized the issuance of \$6,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second and final series of bonds to be issued under the 2018 Authorization. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue" herein.

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

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

**Payments.** The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2020. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

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**MATURITY SCHEDULE**  
(See inside cover)

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

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about April 16, 2020\*.*

**RAYMOND JAMES®**

The date of this Official Statement is \_\_\_\_\_, 2020.

*\*Preliminary; subject to change.*

## MATURITY SCHEDULE\*

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
(Sonoma County, California)  
**General Obligation Bonds, Election of 2018, Series B**  
(Bank Qualified)

Base CUSIP<sup>†</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
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\$ \_\_\_\_\_ % Term Bonds maturing August 1, 20\_\_; Yield: \_\_\_\_%; Price: \_\_\_\_;  
CUSIP<sup>†</sup>: \_\_\_\_

\*Preliminary; subject to change.

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**(Sonoma County, California)**

**BOARD OF TRUSTEES**

Derek Peachey, *President*  
Laura Hawkes, *Clerk*  
Alison Doran, *Trustee*  
Yvonne Kreck, *Trustee*  
Steve Smit, *Member*

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**DISTRICT ADMINISTRATION**

Matt Reno, *Superintendent*  
Anne Kopache, *Chief Business Official*

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**PROFESSIONAL SERVICES**

**FINANCIAL ADVISOR**

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

**BOND AND DISCLOSURE COUNSEL**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT**

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

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

## **INTRODUCTION**

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

**The District.** The District consists of one elementary school serving kindergarten through 6<sup>th</sup> grade. Enrollment for the 2019-20 school year is approximately 112 students. For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City of Healdsburg (the “**City**”) and Sonoma County (the “**County**”).

**Purpose of Issue.** The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on June 5, 2018 (the “**Bond Election**”). See “THE BONDS - Purpose of Issue” herein.

**Authority for Issuance of the Bonds.** Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize \$6 million of general obligation bonds, and will be issued pursuant to certain provisions of the Government Code of the State and a resolution adopted by the Board of Trustees of the District on March 9, 2020 (the “**Bond Resolution**”). See “THE BONDS - Authority for Issuance” herein.

**Description of the Bonds.** The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. See “THE BONDS – Description of the Bonds” herein.

**Payment and Registration of the Bonds.** The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC’s

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\* Preliminary; subject to change.

book-entry only system (“**DTC Participants**”) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

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

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

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

**Legal Matters.** Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel, and Underwriter’s counsel is contingent upon issuance of the Bonds.

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

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

**Other Information.** This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 8511 Hwy 128, Healdsburg, CA 95448, Telephone: (707) 433.1375. The District may impose a charge for copying, mailing and handling.



## THE BONDS

### Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of \$6,000,000 (the “**2018 Authorization**”).

On October 30, 2018, the District issued its \$3,000,000 aggregate principal amount of General Obligation Bonds, Election of 2018, Series A (the “**Series 2018A Bonds**”) pursuant to the 2018 Authorization. Following the issuance of the Bonds, there will be no unused authorization remaining under the 2018 Authorization.\*

### Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on June 5, 2018, the abbreviated text of which appeared on the ballot as follows:

*“To improve the quality of education; make health and safety improvements; improve classrooms, restrooms and school facilities; replace deteriorating plumbing systems; and construct a multi-purpose room for school and community use; shall Alexander Valley Union School District issue \$6,000,000 of bonds at legal rates, averaging \$376,000 annually as long as bonds are outstanding at a rate of approximately 2.82 cents per \$100 assessed value, with no money for salaries and funding that cannot be taken by the State?”*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the “**Project List**”). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2018 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

### Description of the Bonds

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

The Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, an “**Interest Payment Date**”). Each Bond will bear interest

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\* Preliminary; subject to change.

from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15<sup>th</sup>) day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2020, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

### **Book-Entry Only System**

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

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

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

### **Redemption\***

**Optional Redemption.** The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20\_\_ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20\_\_, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

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

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*\* Preliminary; subject to change.*

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

**Term Bonds Maturing August 1, 20\_\_**

<b>Redemption Date (August 1)</b>	<b>Sinking Fund Redemption</b>
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If any Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

**Notice of Redemption**

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

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

**Partial Redemption of Bonds**

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

## **Effect of Redemption**

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

## **Right to Rescind Notice of Redemption**

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

## **Registration, Transfer and Exchange of Bonds**

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

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

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

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

## Defeasance and Discharge of Bonds

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

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

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

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

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

**“Federal Securities”** means: United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

## DEBT SERVICE SCHEDULES

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

**Alexander Valley Union School District  
General Obligation Bonds, Election of 2018, Series B  
Debt Service Schedule**

<b>Bond Year Ending (August 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Annual Debt Service</b>
2020			
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			
TOTAL			

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

Period Ending August 1	Series 2018A Bonds	The Bonds	Aggregate Debt Service
2020	\$307,500.00		
2021	125,500.00		
2022	125,500.00		
2023	125,500.00		
2024	125,500.00		
2025	125,500.00		
2026	125,500.00		
2027	125,500.00		
2028	135,500.00		
2029	140,000.00		
2030	159,250.00		
2031	162,500.00		
2032	170,500.00		
2033	178,000.00		
2034	170,000.00		
2035	172,250.00		
2036	179,250.00		
2037	185,750.00		
2038	196,750.00		
2039	217,000.00		
2040	226,000.00		
2041	234,250.00		
2042	246,750.00		
2043	253,250.00		
2044	264,000.00		
2045	273,750.00		
2046	287,500.00		
2047	325,000.00		
2048	338,000.00		
2049	--		
TOTAL	\$5,701,250.00		

## SOURCES AND USES OF FUNDS

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

### **Sources of Funds**

Principal Amount of Bonds

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

**Total Sources**

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### **Uses of Funds**

Building Fund

Debt Service Fund

Costs of Issuance <sup>(1)</sup>

**Total Uses**

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



## SECURITY FOR THE BONDS

### ***Ad Valorem Taxes***

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

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

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

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

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

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

***Economic Conditions.*** Economic and other factors beyond the District’s control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See “PROPERTY TAXATION - Assessed Valuation” for additional information about recent notable disasters in the State.

## Coronavirus Global Pandemic

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

The President’s declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. The House and Senate are currently drafting another relief package, including an economic stimulus package estimated at up to \$2 trillion. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

Most school districts in the State have suspended in-person learning, and the Governor has indicated that schools are likely to remain closed for the remainder of the school year. On March 16, 2020, the State legislature approved \$1.1 billion in emergency funds in response to the Coronavirus crisis. On March 19, 2020, the Governor issued a shelter-in-place order, Executive Order N-33-20, ordering all California residents to stay home except to get food, care for a relative, get necessary healthcare or go to an essential job. The stay at home order went into effect immediately and will stay in effect until further notice.

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

**Suspension of Classroom Instruction; Unanticipated Costs.** The Governor’s shelter in place order has suspended classroom instruction indefinitely throughout California schools. Further, the Governor has indicated that schools statewide may not open again for the remainder of the school year. Most school districts are undertaking distance learning efforts to provide continuing instruction to students. On March 13, 2020, the Governor signed Executive Order N-26-20 ordering that school districts closing in order to address Coronavirus will, subject to certain conditions, continue to receive state funding to support distance learning or independent study, to continue to provide subsidized school meals to low-income students, to continue to pay school district

employees, and, to the extent practicable, to provide for supervision of students during school hours. Additionally, State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. See Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – Education Funding Generally.

School districts in California may incur additional unanticipated costs since budget adoption that result as a result of the Coronavirus emergency. Examples include cleaning and sanitizing costs, and possibly heightened security costs.

The District cannot predict the impacts that the Coronavirus emergency might have on the District’s finances or operations, or local property values.

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

### **Building Fund**

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the “Alexander Valley Union School District, Election of 2018, Series B Building Fund” (the “**Building Fund**”), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

### **Debt Service Fund**

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

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

## **Not a County Obligation**

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

## **PROPERTY TAXATION**

### **Property Tax Collection Procedures**

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

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

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. However, Senate Bill 813 (enacted by Statutes of 1983, Chapter 498) (“**SB 813**”), provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent

taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

### **Taxation of State-Assessed Utility Property**

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

### **Assessed Valuation**

The assessed valuation of property in the District is established by the assessor of the County, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A under the heading “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

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

**Assessed Valuation History.** The table below shows a recent history of the District’s assessed valuation.

#### **ALEXANDER VALLEY UNION SCHOOL DISTRICT Assessed Valuation Fiscal Years 2010-11 through 2019-20**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>% Change</b>
2010-11	\$490,200,977	\$0	\$21,611,541	\$511,812,518	--%
2011-12	499,443,051	0	21,314,945	520,757,996	1.7
2012-13	516,463,956	0	23,838,157	540,302,113	3.8
2013-14	597,689,438	0	24,360,850	622,050,288	15.1
2014-15	561,607,291	0	25,709,556	587,316,847	(5.6)
2015-16	585,086,583	0	22,867,477	607,954,060	3.5
2016-17	616,614,927	0	28,083,491	644,698,418	6.0
2017-18	670,422,617	0	24,312,094	694,734,711	7.8
2018-19	723,667,085	0	24,729,528	748,396,613	7.7
2019-20	789,026,470	0	25,169,318	814,195,788	8.8

Source: California Municipal Statistics, Inc.

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

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

Kindcade Fire. On October 23, 2019, the Kincade Fire ignited in the County, damaging 60 structures and destroying 374. Nearly 78,000 acres burned during the 13 days the fire actively burned. The District was closed for 11 days due to the Kincade Fire and related power outages, and the District expects a resulting loss in property taxes of \$293,000 for fiscal year 2020-21 and \$146,500 for fiscal year 2021-22.

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

See also "SECURITY FOR THE BONDS –Global Coronavirus Pandemic."

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**Local Secured Property Assessed Valuation and Parcels by Land Use**  
**Fiscal Year 2019-20**

	<b>2019-20 Assessed Valuation <sup>(1)</sup></b>	<b>% of Total</b>	<b>No. of Parcels</b>	<b>% of Total</b>
<b><u>Non-Residential:</u></b>				
Agricultural/Vineyards	\$445,128,426	56.41%	352	58.09%
Commercial	2,257,829	0.29	2	0.33
Industrial/Wineries	140,197,720	17.77	19	3.14
Recreational	2,515,379	0.32	3	0.50
Government/Social/Institutional	155,908	0.02	6	0.99
Miscellaneous	<u>201,176</u>	<u>0.03</u>	<u>8</u>	<u>1.32</u>
Subtotal Non-Residential	\$590,456,438	74.83%	390	64.36%
<b><u>Residential:</u></b>				
Single Family Residence	\$193,547,335	24.53%	198	32.67%
Vacant Residential	<u>5,022,697</u>	<u>0.64</u>	<u>18</u>	<u>2.97</u>
Subtotal Residential	\$198,570,032	25.17%	216	35.64%
<b>Total</b>	<b>\$789,026,470</b>	<b>100.00%</b>	<b>606</b>	<b>100.00%</b>

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

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

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

<b>Single Family Residential</b>	<b>No. of Parcels</b>	<b>2019-20 Assessed Valuation</b>	<b>Average Assessed Valuation</b>	<b>Median Assessed Valuation</b>
	198	\$193,547,335	\$977,512	\$597,489

<b>2019-20 Assessed Valuation</b>	<b>No. of Parcels <sup>(1)</sup></b>	<b>% of Total</b>	<b>Cumulative % of Total</b>	<b>Total Valuation</b>	<b>% of Total</b>	<b>Cumulative % of Total</b>
\$0 - \$99,999	16	8.081%	8.081%	\$ 1,196,648	0.618%	0.618%
\$100,000 - \$199,999	23	11.616	19.697	3,398,382	1.756	2.374
\$200,000 - \$299,999	16	8.08	27.778	4,030,729	2.083	4.457
\$300,000 - \$399,999	15	7.576	35.354	5,228,991	2.702	7.158
\$400,000 - \$499,999	12	6.061	41.414	5,369,721	2.774	9.933
\$500,000 - \$599,999	18	9.091	50.505	9,955,572	5.144	15.076
\$600,000 - \$699,999	15	7.576	58.081	9,691,263	5.007	20.084
\$700,000 - \$799,999	4	2.020	60.101	2,999,043	1.550	21.633
\$800,000 - \$899,999	4	2.020	62.121	3,362,296	1.737	23.370
\$900,000 - \$999,999	6	3.030	65.152	5,695,517	2.943	26.313
\$1,000,000 - \$1,099,999	6	3.030	68.182	6,259,707	3.234	29.547
\$1,100,000 - \$1,199,999	12	6.061	74.242	13,615,950	7.035	36.582
\$1,200,000 - \$1,299,999	3	1.515	75.758	3,718,452	1.921	38.503
\$1,300,000 - \$1,399,999	5	2.525	78.283	6,653,026	3.437	41.941
\$1,400,000 - \$1,499,999	5	2.525	80.808	7,263,897	3.753	45.694
\$1,500,000 - \$1,599,999	2	1.010	81.818	3,144,238	1.625	47.318
\$1,600,000 - \$1,699,999	5	2.525	84.343	8,275,301	4.276	51.594
\$1,700,000 - \$1,799,999	5	2.525	86.869	8,827,529	4.561	56.155
\$1,800,000 - \$1,899,999	3	1.515	88.384	5,553,671	2.869	59.024
\$1,900,000 - \$1,999,999	3	1.515	89.899	5,827,113	3.011	62.035
\$2,000,000 and greater	20	10.101	100.000	73,480,289	37.965	100.000
<b>Total</b>	<b>198</b>	<b>100.000%</b>		<b>\$193,547,335</b>	<b>100.000%</b>	

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

### Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" in APPENDIX A.



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

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

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

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

## **Tax Levies and Delinquencies**

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, with respect to the 1% *ad valorem* property tax (general fund apportionment) levied on real property in the County. Under the Teeter Plan, each local taxing agency entitled to a portion of this 1% *ad valorem* property tax in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected; in exchange, such local taxing agencies forego any interest and penalties collected on delinquent taxes collected by the County. The District participates in the Teeter Plan, and thus receives 100% of its portion of the 1% *ad valorem* secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes only the portion of the 1% *ad valorem* property tax levy to which the District is entitled, and not the District’s general obligation bond levies, in its Teeter Plan.

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

collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

### **Tax Rates**

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 51-006) within the District for fiscal years 2015-16 through 2019-20.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**Typical Total Tax Rates of Assessed Valuation**  
**(TRA 51-006-2019-20 Assessed Valuation: \$748,677,021<sup>(1)</sup>)**  
**Fiscal Years 2015-16 through 2019-20**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
General Levy	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Warm Springs Dam	.0070	.0070	.0070	.0070	.0070
Alexander Valley Union School District	--	--	--	.0270	.0250
Healdsburg Unified School District	.0380	.0380	.0810	.0890	.0890
Sonoma County Joint Community College District	.0160	.0400	.0370	.0360	.0370
<b>Total</b>	<b>\$1.0610</b>	<b>\$1.0850</b>	<b>\$1.1250</b>	<b>\$1.1590</b>	<b>\$1.1580</b>

<sup>(1)</sup> 91.95% of the total District's assessed valuation.  
Source: *California Municipal Statistics, Inc.*

## Top 20 Property Owners

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

### ALEXANDER VALLEY UNION SCHOOL DISTRICT Top 20 Secured Property Taxpayers Fiscal Year 2019-20

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total <sup>(1)</sup></u>
1. Jackson Family Estate I LLC / Jackson Family Investments	Winery/Vineyards	\$ 87,530,473	11.09%
2. Silver Oak Wine Cellars LLC	Winery/Vineyards	57,343,560	7.27
3. Santa Angelina LLC	Rural Residence	29,666,600	3.76
4. Ferrari-Carano Vineyards & Winery LLC	Vineyards	28,829,526	3.65
5. MA Properties LLC	Vineyards	21,973,546	2.78
6. Divo Beachwalk LP	Rural Residence	17,197,522	2.18
7. Robert Young Family LP	Vineyards	14,344,093	1.82
8. AVV Inc.	Winery	11,751,658	1.49
9. Rawah Vineyards LLC	Vineyards	11,390,840	1.44
10. Michael Scott Cagney & June Sheebe Ou Trust	Vineyards	8,836,930	1.12
11. Fahri Diner	Vineyards	8,602,844	1.09
12. Dry Creek Rancheria Band of Pomo Indians	Vineyards	8,349,330	1.06
13. Foley Family Wines Inc.	Winery	8,343,808	1.06
14. Richard R. & Alison B. Crowell Trust	Rural Residence	8,057,767	1.02
15. Lancaster Estate Vineyard & Winery LLC	Winery	7,947,106	1.01
16. Murphy Vineyards LLC	Winery	7,336,300	0.93
17. Peline Vineyards Partnership LP	Vineyards	7,118,898	0.90
18. SCV-EPI Vineyards	Vineyards	6,731,799	0.85
19. William A. Witte & Patricia K. Sakamoto Trust	Vineyards	6,689,299	0.85
20. Jonathan E. Kaplan & Marci B. Glazer Trust	Vineyards	6,512,532	0.83
		<u>\$364,554,431</u>	<u>46.20%</u>

(1) 2019-20 local secured assessed valuation: \$789,026,470.

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. for debt issued as of March 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

### **ALEXANDER VALLEY UNION SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt (Debt Issued as of March 1, 2020)**

**2019-20 Assessed Valuation:** \$814,195,788

<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>	<b><u>% Applicable</u></b>	<b><u>Debt 3/1/20</u></b>
Sonoma County Joint Community College District	0.852%	\$ 3,308,785
Healdsburg Unified School District	13.554	11,575,782
<b>Alexander Valley Union School District</b>	<b>100.000</b>	<b>2,810,000<sup>(1)</sup></b>
North Sonoma County Hospital District	5.119	158,433
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$17,853,000</b>
<b><u>OVERLAPPING GENERAL FUND DEBT:</u></b>		
Sonoma County General Fund Obligations	0.859%	\$ 113,139
Sonoma County Pension Obligation Bonds	0.859	2,760,955
Sonoma County Office of Education Certificates of Participation	0.859	32,581
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,906,675</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$20,759,675<sup>(2)</sup></b>

**Ratios to 2019-20 Assessed Valuation:**

<b>Direct Debt (\$2,810,000)</b> .....	<b>0.35%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.19%
Combined Total Debt .....	2.55%

(1) Excludes the Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

## TAX MATTERS

### Tax Exemption

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

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

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

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

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

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

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

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

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

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

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

## CERTAIN LEGAL MATTERS

### Legality for Investment

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

### Absence of Litigation

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

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

### Compensation of Certain Professionals

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

## CONTINUING DISCLOSURE

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

In the previous five-years, there have been no material instances of non-compliance with prior undertakings. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability 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 this Official Statement.

## **RATING**

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

## **UNDERWRITING**

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

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

## **ADDITIONAL INFORMATION**

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

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

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



## **EXECUTION**

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

**ALEXANDER VALLEY UNION SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Superintendent

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## APPENDIX A

### GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

#### General Information

Alexander Valley Union School District (the "**District**") is located in the City of Healdsburg (the "**City**"), in Sonoma County (the "**County**").

The District consists of one elementary school serving kindergarten through 6<sup>th</sup> grade. Enrollment for the 2019-20 school year is approximately 112 students. See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

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

#### Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Derek Peachey	President	November 2020
Laura Hawkes	Clerk	November 2022
Alison Doran	Trustee	November 2022
Yvonne Kreck	Trustee	November 2020
Steve Smit	Trustee	November 2022

**Administrative Personnel.** The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Matt Reno is currently the Superintendent of the District and Anne Kopache serves as the Chief Business Official.

## Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District, which does not include charter school enrollment.

### ANNUAL ENROLLMENT Fiscal Years 2014-15 through 2019-20 Alexander Valley Union School District

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>% Change</u>
2014-15	119	--%
2015-16	123	3.4
2016-17	130	5.7
2017-18	116	(10.8)
2018-19	110	(5.2)
2019-20 <sup>(1)</sup>	112	1.8

(1) Budgeted.

Source: California Department of Education for 2014-15 through 2018-19; Alexander Valley Union School District for 2019-20.

## Employee Relations

The District has 9.9 certificated full-time equivalent (“**FTE**”) employees, 8.7 classified FTE employees, and 1.0 management/supervisor/confidential FTE employees.

The certificated employees of the District are represented by the Alexander Valley Teachers’ Association under a contract that expires June 30, 2020.

## DISTRICT FINANCIAL INFORMATION

### Education Funding Generally

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

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

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

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

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

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

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

<b>Grade Span</b>	<b>2019-20 Base Grant Per ADA</b>	<b>2018-19 COLA (3.70%)</b>	<b>Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)</b>	<b>2019-20 Base Grant/Adjusted Base Grant Per ADA</b>
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,034	295	243	9,572

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

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

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

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

### **District Accounting Practices**

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

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

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes

are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

### **Financial Statements**

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

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

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Fiscal Years 2014-15 through 2018-19 (Audited)**  
**Alexander Valley Union School District <sup>(1)</sup>**

	<b>Audited 2014-15</b>	<b>Audited 2015-16</b>	<b>Audited 2016-17</b>	<b>Audited 2017-18</b>	<b>Audited 2018-19</b>
<b><u>Revenues</u></b>					
LCFF	\$1,642,369	\$1,703,803	\$1,795,047	\$1,823,998	\$1,958,423
Federal revenues	64,460	56,772	46,333	54,796	50,152
Other state revenues	86,504	161,035	137,870	132,756	234,614
Other local revenues	184,017	226,548	308,609	309,935	308,846
<b>Total Revenues</b>	<b>1,977,350</b>	<b>2,148,158</b>	<b>2,287,859</b>	<b>2,321,485</b>	<b>2,552,035</b>
<b><u>Expenditures</u></b>					
Instruction	1,116,252	1,247,629	1,443,548	1,379,362	1,372,855
Instruction-related activities:					
Library, media and technology	9,665	9,892	11,828	11,359	9,930
School site administration	224,871	222,637	254,492	266,865	299,088
Pupil services:					
Home-to-school transportation	66,996	38,690	47,038	70,349	194,202
All other pupil services	165,967	66,929	65,286	70,024	68,733
General Administration:					
Data processing	1,200	1,200	--	1,200	1,200
All other general admin.	155,895	179,538	186,055	189,174	236,060
Plant services	129,336	158,407	146,353	171,332	197,459
Facilities Acquisition & Const.	--	--	--	--	8,526
Community services	21,014	21,385	31,399	33,622	94,850
Debt Service	--	--	--	--	--
<b>Total Expenditures</b>	<b>1,891,196</b>	<b>1,946,307</b>	<b>2,185,999</b>	<b>2,193,287</b>	<b>2,482,903</b>
Excess of Revenues Over/(Under) Expend.	86,154	201,851	101,860	128,198	69,132
<b><u>Other Financing Sources (Uses)</u></b>					
Operating transfers in	--	--	--	--	--
Operating transfers out	(3,000)	(64,082)	(81,500)	(13,879)	(35,090)
<b>Total Other Fin. Source (Uses)</b>	<b>(3,000)</b>	<b>(64,082)</b>	<b>(81,500)</b>	<b>(13,879)</b>	<b>(35,090)</b>
<b>Net change in fund balance</b>	<b>83,154</b>	<b>137,769</b>	<b>20,360</b>	<b>114,319</b>	<b>34,042</b>
<b>Fund Balance, July 1</b>	<b>1,636,419</b>	<b>1,719,573</b>	<b>1,857,342</b>	<b>1,877,702</b>	<b>1,992,021</b>
<b>Fund Balance, June 30</b>	<b>\$1,719,573</b>	<b>\$1,857,342</b>	<b>\$1,877,702</b>	<b>\$1,992,021</b>	<b>\$2,026,063</b>

(1) Figures may not sum to totals due to rounding.  
Source: Alexander Valley Union School District Audit Reports.



## District Budget and Interim Financial Reporting

***Budgeting and Interim Reporting Procedures.*** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Sonoma County Superintendent of Schools (the "**County Superintendent**").

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

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

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

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

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

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

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

	<b>Adopted Budget 2019-20</b>	<b>Second Interim 2019-20</b>
<b>Revenues</b>		
Total LCFF Sources	\$1,973,008	\$2,071,701
Federal Revenues	32,717	42,717
Other state revenues	113,175	104,661
Other local revenues	228,511	253,711
Total Revenues	2,347,411	2,472,790
<b>Expenditures</b>		
Certificated Salaries	937,473	937,473
Classified Salaries	442,328	475,058
Employee Benefits	510,628	510,628
Books and Supplies	112,755	154,755
Services and Other Operating Expenditures	384,897	409,397
Capital Outlay	--	--
Other Outgo (excluding transfers of indirect costs)	--	--
Other Outgo	--	--
Total Expenditures	2,388,081	2,487,311
Excess of Revenues Over/(Under) Expenditures	(40,670)	(14,521)
<b>Other Financing Sources (Uses)</b>		
Operating transfers in	11,750	11,750
Operating transfers out	(7,000)	(7,000)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	4,750	4,750
Net change in fund balance	(35,920)	(9,771)
Fund Balance, July 1	1,466,317	1,598,977
Fund Balance, June 30 <sup>(1)</sup>	\$1,430,397	\$1,589,206

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

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

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

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

## Attendance - Revenue Limit and LCFF Funding

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

### ALEXANDER VALLEY UNION SCHOOL DISTRICT ADA and LCFF Funding Fiscal Years 2013-14 through 2019-20 (Budgeted)

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	112	\$15,010
2014-15	115	14,334
2015-16	117	14,539
2016-17	125	14,412
2017-18	111	16,549
2018-19	105	18,652
2019-20 <sup>(1)</sup>	107	19,362

(1) Second Interim Projection.

Source: California Department of Education; Alexander Valley Union School District.

**District's Unduplicated Student Count.** Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 25% for purposes of calculating supplemental and concentration grant funding under LCFF.

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

## Revenue Sources

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

**LCFF Sources.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all

property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

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

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

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

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

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

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

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

## **District Retirement Systems**

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

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

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

**STRS Contributions  
Alexander Valley Union School District  
Fiscal Years 2013-14 through 2019-20 (Projected)**

Fiscal Year	Amount
2013-14	\$54,318
2014-15	62,133
2015-16	80,442
2016-17	102,694
2017-18	117,164
2018-19	133,650
2019-20 <sup>(1)</sup>	149,491

(1) Second Interim Projection.

Source: Alexander Valley Union School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16 through 2018-19 were 10.73%, 12.58%, 14.43% and 16.28%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

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

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(1)</sup></b>
2019-20	17.10%
2020-21	18.40
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll.  
Source: AB 1469

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

**PERS Contributions**  
**Alexander Valley Union School District**  
**Fiscal Years 2013-14 through 2019-20 (Projected)**

<b>Fiscal Year</b>	<b>Amount</b>
2013-14	\$25,812
2014-15	29,210
2015-16	30,038
2016-17	43,873
2017-18	49,151
2018-19	55,173
2019-20 <sup>(1)</sup>	67,641

(1) Second Interim Projection.  
Source: Alexander Valley Union School District.

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

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

<b>Fiscal Year</b>	<b>Amount</b>
2018-19	7.375%
2019-20	7.250
2020-21	7.000

*Source: PERS.*

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

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

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

<b>Fiscal Year</b>	<b>Employer Contribution Rate<sup>(2)</sup></b>
2019-20	19.721%
2020-21	22.900
2021-22	24.600
2022-23	25.300

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

(2) Expressed as a percentage of covered payroll.

*Source: PERS*

**California Public Employees' Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.



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

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

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

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

## **Other Post-Employment Retirement Benefits**

**Plan Description.** The District's defined benefit plan, Alexander Valley Union School District's Other Post-Employment Benefits Plan (the "**Plan**") , is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and is administered by the District. Membership of the Plan consists of 2 retirees. The Plan is closed to new participants

**Benefits Provided.** The District provides OPEB to employees hired prior to January 15, 1992, who have been covered by an approved medical plan and who have had at least 25 years of service prior to retirement. These retirees receive a District contribution of \$260 per month towards the retiree's medical premium. The benefit commences at retirement and ceases at age 65 or upon the death of the retiree, whichever occurs sooner.

There are two exceptions: One retiree (older than 65) receives lifetime medical benefits equal to 100% of the required premium. A second retiree (who is older than age 65) receives 319 per month for life plus dental and vision coverage.

The retirees are responsible for any premium costs in excess of the District's required contribution under the terms of the agreements.

**Actuarial Assumptions and Other Inputs.** The District's total OPEB liability of \$124,628 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.26%, discount rates of 3.8% at June 30, 2018 and 3.58% at June 30, 2017, and healthcare cost trend rates of 4.25% per year for medical and 3.00% per year for dental and vision. Because the Plan is unfunded, the yield for the 20-year, tax-exempt general obligation bond municipal bond was used to determine liability. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index. Mortality rates were based on the most recent CalStrs valuations for female retirees. CalStrs 2016 Mortality post-retirement with generational mortality factors 10% greater than ultimate MP-2016 factors. No experience study was performed to select these assumptions.

**Changes in OPEB Liability of the District.** The changes in OPEB liability of the District as of June 30, 2019, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY  
Alexander Valley Union School District**

	<b>Total OPEB Liability</b>
Balance at Beginning of year	\$132,811
Service Cost	--
Interest	4,572
Differences between expected and actual experience	514
Changes in assumptions or other inputs	(2,943)
Benefit payments	<u>(10,326)</u>
Net changes	(8,183)
Balance at End of year	\$124,628

*Source: Alexander Valley Union School District Audit Report.*

**OPEB Expense.** For the year ended June 30, 2019, the District recognized an OPEB expense of \$2,143.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 7 of Appendix B to the Official Statement.

**Insurance – Joint Powers Agreement**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2019, the District participated in one joint powers authority to

manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

## Existing Debt Obligations

**General Obligation Bonds.** The District has previously issued general obligation bonds as summarized in the following table. See also “DEBT SERVICE SCHEDULES” and in the District’s Audited Financial Statement for year Ended June 30, 2019, attached hereto as Appendix B, Note 6.

### GENERAL OBLIGATION BONDS Alexander Valley Union School District

Dated Date	Series	Amount of Original Issue	Outstanding as of March 1, 2020
10/30/2018	General Obligation Bonds, Election of 2018, Series A	\$3,000,000	\$2,810,000
<b>Total</b>		<b>\$3,000,000</b>	<b>\$2,810,000</b>

See “DEBT SERVICE SCHEDULES” in the body of this Official Statement for the remaining debt service due on the District’s outstanding general obligation bonds.

## Investment of District Funds

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

## Effect of State Budget on Revenues

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

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

## STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

### State Funding of Education

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

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

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

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

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

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

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

### **Recent State Budgets**

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

- The California State Treasurer internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget", includes the text of proposed and adopted State budgets.
- The State Legislative Analyst's Office (the "**LAO**") prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading "Subject Area – Budget (State)".

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

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

## **2019-20 State Budget**

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

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

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 million of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;
- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities

expansion and \$195 million for childcare and preschool workforce development;

- one-time funding of \$750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

## **2019-20 Proposed State Budget**

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

The 2020-21 Proposed State Budget raises the Proposition 98 funding for school districts and community college districts for fiscal year 2020-21 to \$84 billion, a new all-time high, which reflects a 2.29% cost of living adjustment and includes an additional \$1.2 billion in Proposition 98 funding for the LCFF. The 2020-21 Proposed State Budget also confirms that school district reserve caps are not required for fiscal year 2021-22. The 2020-21 Proposed State Budget includes one-time increases in Proposition 98 general fund resources of \$350 million of educator workforce investment grants, \$193 million for workforce development grants, \$18 million to strengthen the capacity of local educational agencies in certain priority areas, and \$10 million for credentialed teacher stipends. The Governor is required to release a revision to the Proposed State Budget by May 14 of each year.

## **LAO Fiscal Perspective Report**

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

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

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

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

### **Disclaimer Regarding State Budgets**

The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

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

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



## Legal Challenges to State Funding of Education

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

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

### Constitutionally Required Funding of Education

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

### Article XIII A of the California Constitution

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

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

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

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

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

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

## **Article XIII B of the California Constitution**

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

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and

the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

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

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

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

### **Unitary Property**

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

### **Articles XIII C and XIII D of the California Constitution**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or

repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

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

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

## Proposition 98

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

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

## Proposition 111

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

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

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

**Treatment of Excess Tax Revenues.** “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues

transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

## **Proposition 39**

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

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

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

### **Proposition 30 and Proposition 55**

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

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



## **California Senate Bill 222**

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

## **Future Initiatives**

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

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**APPENDIX B**

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018-19**

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**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
COUNTY OF SONOMA  
HEALDSBURG, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2019**

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**

**JUNE 30, 2019**

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# ALEXANDER VALLEY UNION SCHOOL DISTRICT

JUNE 30, 2019

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## FINANCIAL SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Alexander Valley Union School District  
Healdsburg, California

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Alexander Valley Union School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of the proportionate share of the net pension liabilities, and schedules of contributions 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 Alexander Valley Union School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Schedule of Financial Trends and Analysis 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 9, 2019 on our consideration of the Alexander Valley Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alexander Valley Union School 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 Alexander Valley Union School District's internal control over financial reporting and compliance.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 9, 2019

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(PREPARED BY DISTRICT MANAGEMENT)**

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This section of Alexander Valley Union School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the District's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

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

**FINANCIAL HIGHLIGHTS**

- The District's financial status improved slightly over the course of the year, as total net position increased less than 1%.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$26,377.
- Total long-term liabilities increased \$3,192,673 due primarily to the issuance of \$3,000,000 of general obligation bonds in October 2018.
- The District's P-2 average daily attendance (ADA) decreased from 111 ADA in fiscal year 2017-18, down to 106 ADA in fiscal year 2018-19, a decrease of 4.5%.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 5% of total General Fund expenditures, transfers out, and other financing uses (total outgo). During fiscal year 2018-19, General Fund expenditures and other financing uses totaled \$2,517,993. At June 30, 2019, the District had available reserves of \$1,587,263, which represents a reserve of 63.0%.

**THE FINANCIAL REPORT**

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(PREPARED BY DISTRICT MANAGEMENT)**

---

**THE FINANCIAL REPORT (CONCLUDED)**

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

**Reporting the District as a Whole**

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

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

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

In the Statement of Net Position and the Statement of Activities, all amounts presented represent governmental activities, since the District does not provide any services that should be considered business-type activities.

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

**Reporting the District's Most Significant Funds**

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The District's net position increased slightly from \$3,708,271 at June 30, 2018, up to \$3,734,648 at June 30, 2019, an increase of less than 1%.

<b><u>Comparative Statement of Net Position</u></b>		
	Governmental Activities	
	2018	2019
<b><u>Assets</u></b>		
Deposits and Investments	\$ 2,159,395	\$ 5,278,624
Receivables	57,937	57,395
Prepaid Expenses	0	1,552
Capital Assets, net	3,147,054	3,467,194
Total Assets	5,364,386	8,804,765
<b><u>Deferred Outflows of Resources</u></b>		
OPEB Deferrals	10,999	9,925
Pension Deferrals	712,281	637,971
Total Deferred Outflows of Resources	723,280	647,896
<b><u>Liabilities</u></b>		
Current	102,578	407,127
Long-term	2,175,420	5,165,536
Total Liabilities	2,277,998	5,572,663
<b><u>Deferred Inflows of Resources</u></b>		
Pension Deferrals	101,397	145,350
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	3,147,054	2,914,887
Restricted	127,026	441,725
Unrestricted	434,191	378,036
Total Net Position	\$ 3,708,271	\$ 3,734,648
<i>Table includes financial data of the combined governmental funds</i>		

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

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

The District's total current year revenues exceeded total current year expenses by \$26,377.

<b><u>Comparative Statement of Changes in Net Position</u></b>		
	Governmental Activities	
	2018	2019
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 48,465	\$ 61,285
Operating Grants & Contributions	301,725	411,524
<b><u>General Revenues</u></b>		
Taxes Levied	1,488,760	1,816,968
Federal & State Aid	395,727	414,236
Interest & Investment Earnings	30,079	49,821
Transfers From Other Agencies	5,277	5,372
Miscellaneous	102,669	82,567
<b>Total Revenues</b>	<b>2,372,702</b>	<b>2,841,773</b>
<b><u>Expenses</u></b>		
Instruction	1,555,847	1,481,400
Instruction-Related Services	309,534	351,109
Pupil Services	178,632	156,827
General Administration	209,449	253,308
Plant Services	187,806	247,865
Community Services	33,622	99,350
Interest on Long-Term Debt	0	88,490
Other Outgo	0	137,047
<b>Total Expenses</b>	<b>2,474,890</b>	<b>2,815,396</b>
<b>Changes in Net Position</b>	<b>\$ (102,188)</b>	<b>\$ 26,377</b>
<i>Table includes financial data of the combined governmental funds</i>		

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

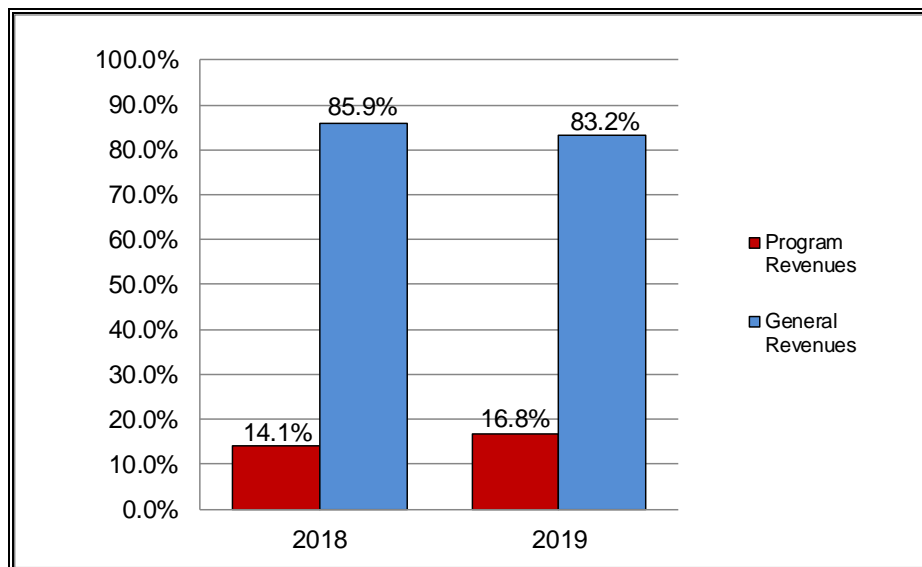
(PREPARED BY DISTRICT MANAGEMENT)

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

<b>Comparative Schedule of Costs of Services</b>				
	Total Cost of Services		Net Cost/(Revenue) of Services	
	2018	2019	2018	2019
Instruction	\$ 1,555,847	\$ 1,481,400	\$ 1,279,623	\$ 1,188,692
Instruction-Related Services	309,534	351,109	300,705	328,636
Pupil Services	178,632	156,827	152,091	126,350
General Administration	209,449	253,308	205,665	246,187
Plant Services	187,806	247,865	187,806	168,984
Community Services	33,622	99,350	(1,190)	58,201
Interest on Long-Term Debt	0	88,490	0	88,490
Other Outgo	0	137,047	0	137,047
Totals	<u>\$ 2,474,890</u>	<u>\$ 2,815,396</u>	<u>\$ 2,124,700</u>	<u>\$ 2,342,587</u>

*Table includes financial data of the combined governmental funds*

The table above presents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$2,342,587 total net cost represents the financial burden that was placed on the District's general revenues for providing the services listed.



For fiscal year 2018-19, program revenues financed 16.8% of the total cost of providing the services listed above, while the remaining 83.2% was financed by the general revenues of the District.



**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

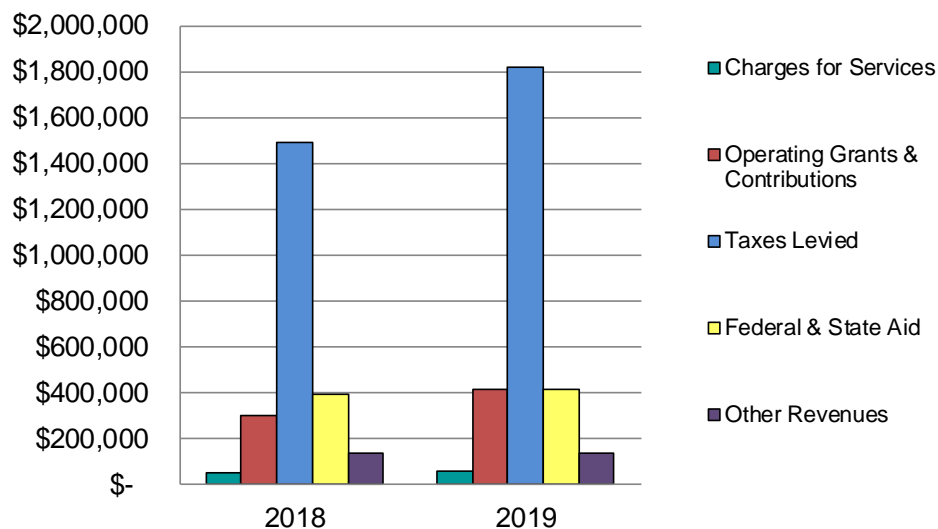
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Schedule of Revenues For Governmental Functions**

	FYE 2018 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
<b><u>Program Revenues</u></b>				
Charges for Services	\$ 48,465	2.04%	\$ 61,285	2.16%
Operating Grants & Contributions	301,725	12.72%	411,524	14.48%
<b><u>General Revenues</u></b>				
Taxes Levied	1,488,760	62.75%	1,816,968	63.94%
Federal & State Aid	395,727	16.68%	414,236	14.58%
Other Revenues	138,025	5.82%	137,760	4.85%
<b>Total Revenues</b>	<b><u>\$ 2,372,702</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 2,841,773</u></b>	<b><u>100.00%</u></b>

*Table includes financial data of the combined governmental funds*

**Comparative Revenues**



**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

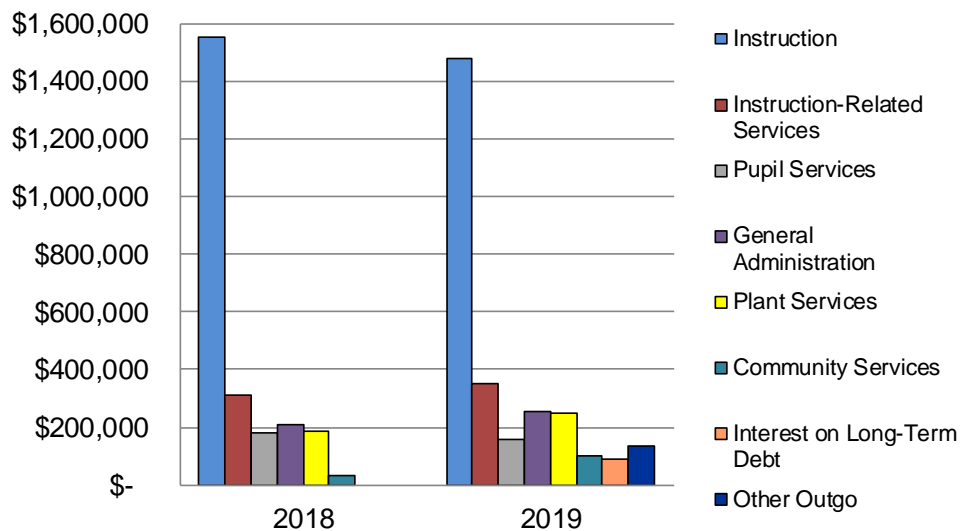
**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (CONTINUED)**

**Schedule of Expenses For Governmental Functions**

	FYE 2018 Amount	Percent of Total	FYE 2019 Amount	Percent of Total
<u>Expenses</u>				
Instruction	\$ 1,555,847	62.87%	\$ 1,481,400	52.62%
Instruction-Related Services	309,534	12.51%	351,109	12.47%
Pupil Services	178,632	7.22%	156,827	5.57%
General Administration	209,449	8.46%	253,308	9.00%
Plant Services	187,806	7.59%	247,865	8.80%
Community Services	33,622	1.36%	99,350	3.53%
Interest on Long-Term Debt	0	0.00%	88,490	3.14%
Other Outgo	0	0.00%	137,047	4.87%
Total Expenses	<u>\$ 2,474,890</u>	<u>100.00%</u>	<u>\$ 2,815,396</u>	<u>100.00%</u>

*Table includes financial data of the combined governmental funds*

**Comparative Expenses**



**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

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

<b><u>Comparative Schedule of Capital Assets</u></b>		
	Governmental Activities	
	2018	2019
Land	\$ 57,128	\$ 57,128
Construction-in-Progress	0	255,251
Sites and Improvements	27,496	24,387
Buildings and Improvements	2,980,013	2,904,241
Furniture and Equipment	82,417	226,187
Capital Assets, net	<u>\$ 3,147,054</u>	<u>\$ 3,467,194</u>

Net capital assets increased \$320,140 due primarily to additions related to Measure B projects.

<b><u>Comparative Schedule of Long-Term Liabilities</u></b>		
	Governmental Activities	
	2018	2019
Compensated Absences	\$ 37,187	\$ 42,860
General Obligation Bonds	0	3,000,000
Bond Premiums	0	200,211
Total OPEB Liability	132,811	124,628
Net Pension Liabilities	2,042,609	2,037,581
Totals	<u>\$ 2,212,607</u>	<u>\$ 5,405,280</u>

Total long-term liabilities increased \$3,192,673 due primarily to the issuance of \$3,000,000 of general obligation bonds in 2018-19.

The general obligation bonds are financed by local taxpayers and represent approximately 56% of the District's total long-term liabilities. The compensated absences, total OPEB liabilities and net pension liabilities will be financed primarily by the General Fund.

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

**FINANCIAL ANALYSIS OF DISTRICT'S FUNDS**

<b><u>Comparative Schedule of Fund Balances</u></b>			
	Fund Balances June 30, 2018	Fund Balances June 30, 2019	Increase (Decrease)
General	\$ 1,992,021	\$ 2,026,063	\$ 34,042
Building	0	2,647,904	2,647,904
Capital Projects - Special Reserve	108,972	103,818	(5,154)
Deferred Maintenance	14,305	20,421	6,116
Cafeteria	8,567	7,631	(936)
Bond Interest & Redemption	0	372,860	372,860
Capital Facilities	28,076	49,156	21,080
Totals	<u>\$ 2,151,941</u>	<u>\$ 5,227,853</u>	<u>\$ 3,075,912</u>

The fund balance of the General Fund increased \$34,042. The fund balance of the Building Fund increased \$2,647,904 due to Measure B bond proceeds received during the year that remain unspent at June 30, 2019. The fund balance of the Bond Interest and Redemption Fund increased \$372,860 due to the bond premium received and taxes collected during the year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

New legislation reduced the District of Choice revenues generated by non-resident students, beginning in 2017-18. Multiyear projections reflect this projected decrease in revenues through 2021-22.

Employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the near future. Currently it is expected that the increase in revenues will not keep pace with the increase in retirement contribution rates. Accordingly, the District's budget should continue to be managed with a great degree of conservatism over the next few years.

On June 5, 2018, voters approved Measure B, authorizing the District to issue \$6,000,000 of general obligation bonds to finance the renovation, construction and improvement of school facilities. On October 30, 2018, the District issued \$3,000,000 of general obligation funds to begin the renovation projects.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(PREPARED BY DISTRICT MANAGEMENT)

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Business Manager, Alexander Valley Union School District, 8511 Highway 128, Healdsburg, CA 95448.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Deposits and Investments (Note 2)	\$ 5,278,624
Receivables (Note 3)	57,395
Prepaid Expenses (Note 1H)	1,552
Capital Assets, Not Depreciated (Note 5)	312,379
Capital Assets, Net of Accumulated Depreciation	3,154,815
Total Assets	8,804,765
<b><u>Deferred Outflows of Resources</u></b>	
OPEB Deferrals (Note 7)	9,925
Pension Deferrals (Note 8)	637,971
Total Deferred Outflows of Resources	647,896
<b><u>Liabilities</u></b>	
Accounts Payable and Other Current Liabilities	109,454
Accrued Interest Payable	57,665
Unearned Revenue (Note 1H)	264
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	42,860
General Obligation Bonds	190,000
Bond Premiums	6,884
<i>Portion Due or Payable After One Year:</i>	
General Obligation Bonds (Note 6)	2,810,000
Bond Premiums (Note 6)	193,327
Total OPEB Liability (Note 7)	124,628
Net Pension Liabilities (Note 8)	2,037,581
Total Liabilities	5,572,663
<b><u>Deferred Inflows of Resources</u></b>	
Pension Deferrals (Note 8)	145,350
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	2,914,887
Restricted:	
For Capital Projects	49,156
For Debt Service	315,195
For Educational Programs	68,091
For Other Purposes	9,283
Unrestricted	378,036
Total Net Position	\$ 3,734,648

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>Governmental Activities</u></b>					
Instruction	\$ 1,481,400	\$ 679	\$ 292,029		\$ (1,188,692)
Instruction-Related Services:					
Instructional Library and Technology	12,291		528		(11,763)
School Site Administration	338,818	12	21,933		(316,873)
Pupil Services:					
Home-to-School Transportation	48,411		1,277		(47,134)
Food Services	36,622	18,034	11,166		(7,422)
Other Pupil Services	71,794				(71,794)
General Administration:					
Data Processing Services	1,200				(1,200)
Other General Administration	252,108		7,121		(244,987)
Plant Services	247,865	29,643	49,238		(168,984)
Community Services	99,350	12,917	28,232		(58,201)
Interest on Long-Term Debt	88,490				(88,490)
Other Outgo	137,047				(137,047)
Total Governmental Activities	<u>\$ 2,815,396</u>	<u>\$ 61,285</u>	<u>\$ 411,524</u>	<u>\$ 0</u>	<u>(2,342,587)</u>
<b><u>General Revenues</u></b>					
Taxes Levied for General Purposes					1,617,777
Taxes Levied for Debt Service					199,191
Federal and State Aid - Unrestricted					414,236
Interest and Investment Earnings					49,821
Transfers from Other Agencies					5,372
Miscellaneous					82,567
Total General Revenues					<u>2,368,964</u>
Change in Net Position					26,377
Net Position - July 1, 2018					<u>3,708,271</u>
Net Position - June 30, 2019					<u>\$ 3,734,648</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>General</b>	<b>Building</b>	<b>Capital Projects - Special Reserve</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Deposits and Investments (Note 2)	\$ 2,019,422	\$ 2,691,847	\$ 119,614	\$ 447,741	\$ 5,278,624
Receivables (Note 3)	51,167			6,228	57,395
Prepaid Expenditures (Note 1H)	1,552				1,552
Total Assets	<u>\$ 2,072,141</u>	<u>\$ 2,691,847</u>	<u>\$ 119,614</u>	<u>\$ 453,969</u>	<u>\$ 5,337,571</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable	\$ 45,814	\$ 43,943	\$ 15,796	\$ 3,901	\$ 109,454
Unearned Revenue (Note 1H)	264				264
Total Liabilities	<u>46,078</u>	<u>43,943</u>	<u>15,796</u>	<u>3,901</u>	<u>109,718</u>
Fund Balances: (Note 11)					
Nonspendable	1,652			100	1,752
Restricted	68,091	2,647,904		429,547	3,145,542
Committed				20,421	20,421
Assigned	369,057		103,818		472,875
Unassigned	1,587,263				1,587,263
Total Fund Balances	<u>2,026,063</u>	<u>2,647,904</u>	<u>103,818</u>	<u>450,068</u>	<u>5,227,853</u>
Total Liabilities and Fund Balances	<u>\$ 2,072,141</u>	<u>\$ 2,691,847</u>	<u>\$ 119,614</u>	<u>\$ 453,969</u>	<u>\$ 5,337,571</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 5,227,853</b>
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. Capital assets and accumulated depreciation are:

Capital Assets	\$ 4,813,692	
Accumulated Depreciation	<u>(1,346,498)</u>	
Net		3,467,194

Deferred outflows and inflows of resources related to other post employment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported:

Deferred outflows of resources related to OPEB	9,925
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Deferred outflows and inflows of resources relating to pensions: 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	637,971
Deferred inflows of resources relating to pensions	(145,350)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated Absences	\$ 42,860	
General Obligation Bonds	3,000,000	
Bond Premiums	200,211	
Total OPEB Liability	124,628	
Net Pension Liabilities	<u>2,037,581</u>	
Total		(5,405,280)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(57,665)

<b>Total Net Position - Governmental Activities</b>	<b>\$ 3,734,648</b>
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**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Building</u>	<u>Capital Projects - Special Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 340,646			\$ 12,000	\$ 352,646
Local Taxes	1,617,777				1,617,777
Total LCFF Sources	1,958,423			12,000	1,970,423
Federal Revenue	50,152			9,932	60,084
State Revenue	234,614		\$ (8,578)	1,307	227,343
Local Revenue	308,846	\$ 40,202	2,035	242,740	593,823
Total Revenues	2,552,035	40,202	(6,543)	265,979	2,851,673
<b><u>Expenditures</u></b>					
Current:					
Instruction	1,372,855				1,372,855
Instructional Library and Technology	9,930				9,930
School Site Administration	299,088				299,088
Home-To-School Transportation	194,202				194,202
Food Services				32,887	32,887
Other Pupil Services	68,733				68,733
Data Processing Services	1,200				1,200
Other General Administration	236,060				236,060
Plant Services	197,459		13,831	6,110	217,400
Facilities Acquisition and Construction	8,526	255,251	17,118		280,895
Community Services	94,850				94,850
Debt Service:					
Interest and Issuance Costs		137,047		35,414	172,461
Total Expenditures	2,482,903	392,298	30,949	74,411	2,980,561
Excess of Revenues Over (Under) Expenditures	69,132	(352,096)	(37,492)	191,568	(128,888)
<b><u>Other Financing Sources (Uses)</u></b>					
Operating Transfers In			32,338	2,752	35,090
Operating Transfers Out	(35,090)				(35,090)
Other Sources		3,000,000		204,800	3,204,800
Total Other Financing Sources (Uses)	(35,090)	3,000,000	32,338	207,552	3,204,800
Net Change in Fund Balances	34,042	2,647,904	(5,154)	399,120	3,075,912
Fund Balances - July 1, 2018	1,992,021	0	108,972	50,948	2,151,941
Fund Balances - June 30, 2019	\$ 2,026,063	\$ 2,647,904	\$ 103,818	\$ 450,068	\$ 5,227,853

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Net Change in Fund Balances - Governmental Funds** **\$ 3,075,912**

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Capital Outlay Expenditures	\$	426,338	
Depreciation Expense		(106,198)	
Net			320,140

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were: (3,000,000)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as Other Financing Sources or Other Financing Uses in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. The premiums, discount, or gain or loss on debt refunding activities and the amortization for the period are: (200,211)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, 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 a prior period, was: (57,665)

Pensions: 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 pension costs and actual employer contributions was: (113,235)

**Change in Net Position of Governmental Activities** **\$ 26,377**

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**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

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

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity under Governmental Accounting Standards Board (GASB) Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The District has determined that there are no organizations, with financial activities that benefit the District, which should be included within its financial reporting entity under GASB 61.

The District has also reviewed criteria to determine whether other organizations, for which the District is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the District, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity within the governmental activities column has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

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

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

**Fund Financial Statements:**

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Unearned Revenue:

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

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/Expenditures (Concluded):

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

D. Fund Accounting

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

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

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

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

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

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. For financial reporting purposes the financial activities and balances of the Special Revenue - Special Reserve Fund and Special Reserve for Postemployment Benefits Fund have been combined with the General Fund.

The *Building Fund* is used to account for resources including bond proceeds from the Election of 2018 (Measure B) authorization to finance the renovation, construction and improvement of school facilities.

The *Capital Projects - Special Reserve Fund* is used to accumulate funds for major maintenance and capital outlay projects of the District.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Concluded)**

Non-major Governmental Funds:

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

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

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

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

**E. Budgets and Budgetary Accounting**

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget is presented for the General Fund as required supplementary information on page 51.

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

**F. Use of Estimates**

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

**G. Encumbrances**

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



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

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

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

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense / expenditure is reported in the year in which goods or services are consumed.

Reported prepaid expenses / expenditures is equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)**

**3. Capital Assets (Concluded)**

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	10-20
Buildings and Improvements	10-50
Furniture and Equipment	8-20

**4. Deferred Outflows/Inflows of Resources**

In addition to assets, the District 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 District 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 so will not be recognized as an inflow of resources (revenue) until that time.

**5. Unearned Revenue**

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

**6. Compensated Absences**

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

**7. Other Post Employment Benefits (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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.

9. Long-term Liabilities

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Premiums and discounts are deferred and amortized over the life of the obligation, when applicable. In fund financial statements, governmental funds recognize premiums, discounts, and issuance costs when the debt is issued. The face amount of the debt issued, premiums, discounts, and issuance costs are reported as other financing sources or uses.

10. Fund Balances

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

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

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

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

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the district's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

10. Fund Balances (Concluded)

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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

11. Local Control Funding Formula (LCFF)/Property Tax

The formula for determining the level of funding per student is the "Local Control Funding Formula" (LCFF). District funding under the LCFF is generally provided by a mix of State aid and local property taxes.

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District. The California Department of Education reduces the District's LCFF entitlement by the District's local property tax revenue. Any balance remaining is paid from the State General Fund, and is known as LCFF State Aid.

Since the amount of property taxes received by the District exceeds the amount of the LCFF transition entitlement, the District is considered to be a "basic aid" school district, and is permitted to keep all of its property tax revenue. In addition, as guaranteed by the California Constitution, the State must apportion \$120 per pupil to the District. However, the categorical aid that the District receives counts toward this requirement.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, consist of the following:

	<u>Governmental Activities</u>
Cash in Revolving Fund	\$ 200
County Pool Investments	<u>5,278,424</u>
Total	<u><u>\$ 5,278,624</u></u>

Cash in Revolving Fund

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

County Pool Investments

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

General Authorization

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

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

General Authorization (Concluded)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Sonoma County Investment Pool.

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Carrying Value	Fair Value	Weighted Average Days to Maturity
County Pool Investments	\$ 5,278,424	\$ 5,284,811	552

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in the County Treasury are not required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

Custodial Credit Risk - Deposits (Concluded)

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, 2019, the District's bank balance was not exposed to custodial credit risk.

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 specific 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 data if reasonable 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.

The District's fair value measurements are as follows at June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	\$ 5,284,811	\$ 5,284,811

All assets have been valued using a market approach, with quoted market prices.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 3 - RECEIVABLES**

Accounts receivable at June 30, 2019, consist of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government	\$ 25,214	\$ 755	\$ 25,969
State Government	20,536	42	20,578
Local Governments	5,372	5,431	10,803
Miscellaneous	45		45
Totals	<u>\$ 51,167</u>	<u>\$ 6,228</u>	<u>\$ 57,395</u>

**NOTE 4 - INTERFUND TRANSACTIONS**

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

**A. Balances Due To/Due From Other Funds**

There were no interfund receivable and payable balances at June 30, 2019.

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

The interfund transfers during fiscal year 2018-19 were as follows:

General Fund transfer to Capital Projects - Special Reserve to transfer District of choice revenues	\$ 32,338
General Fund transfer to Cafeteria Fund to support child nutrition programs	<u>2,752</u>
Total	<u>\$ 35,090</u>



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 5 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2019, is shown below:

	Balances July 1, 2018	Additions	Deletions	Balances June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 57,128			\$ 57,128
Construction-in-Progress	0	\$ 255,251		255,251
Total Capital Assets Not Being Depreciated	57,128	255,251	\$ 0	312,379
Capital Assets Being Depreciated:				
Sites and Improvements	47,314			47,314
Buildings and Improvements	4,057,310	15,743		4,073,053
Furniture and Equipment	225,602	155,344		380,946
Total Capital Assets Being Depreciated	4,330,226	171,087	0	4,501,313
Less Accumulated Depreciation:				
Sites and Improvements	19,818	3,109		22,927
Buildings and Improvements	1,077,297	91,515		1,168,812
Furniture and Equipment	143,185	11,574		154,759
Total Accumulated Depreciation	1,240,300	106,198	0	1,346,498
Total Capital Assets Being Depreciated, Net	3,089,926	64,889	0	3,154,815
Capital Assets, Net	\$ 3,147,054	\$ 320,140	\$ 0	\$ 3,467,194

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 60,173
Instruction-Related Services	14,972
Pupil Services	9,734
General Administration	10,750
Plant Services	10,569
Total	<u>\$ 106,198</u>

**NOTE 6 - GENERAL OBLIGATION BONDS**

On October 30, 2018, the Alexander Valley Union School District issued \$3,000,000 of Election 2018, Series A bonds, which were authorized at an election of registered voters in the District on June 5, 2018, at which voters authorized the issuance and sale of general obligation bonds not to exceed the principal amount of \$6,000,000.

The general obligation bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of taxes. In order to provide sufficient funds for the repayment of principal and interest on the bonds when due, the Board of Supervisors of Sonoma County is empowered and obligated to annually levy ad valorem taxes upon all property subject to taxation in the District.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 6 - GENERAL OBLIGATION BONDS (CONCLUDED)**

The District's outstanding general obligation debt, excluding \$200,211 of unamortized bond premiums, as of June 30, 2019 is as follows:

Year of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019
2018	4.00-5.00	8/1/48	\$ 3,000,000	\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000

The annual requirements to amortize the general obligation bonds, as of June 30, 2019, is as follows:

Year Ended June 30	Principal	Interest	Totals
2020	\$ 190,000	\$ 136,300	\$ 326,300
2021	175,000	129,000	304,000
2022	0	125,500	125,500
2023	0	125,500	125,500
2024	0	125,500	125,500
2025-2029	10,000	627,250	637,250
2030-2034	200,000	605,250	805,250
2035-2039	360,000	535,000	895,000
2040-2044	760,000	398,250	1,158,250
2045-2049	1,305,000	153,750	1,458,750
Totals	\$ 3,000,000	\$ 2,961,300	\$ 5,961,300

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The District's defined benefit plan, Alexander Valley Union School District's Other Post Employment Benefits Plan (Plan), is a single-employer defined benefit health care plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report.

*Plan Descriptions/Benefits Provided:* The District provides post employment medical benefits to employees hired prior to January 15, 1992, who have been covered by an approved medical plan and who have had at least 25 years of service prior to retirement. These retirees receive a District contribution of \$260 per month towards the retiree's medical premium. The benefit commences at retirement and ceases at age 65 or upon the death of the retiree, whichever occurs sooner.

Exceptions: One retiree (older than 65) receives lifetime medical benefits equal to 100% of the required premium. A second retiree (who is older than age 65) receives \$319 per month for life plus dental and vision coverage.

The retirees are responsible for any premium costs in excess of the District's required contribution under the terms of the agreements.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Employees covered by benefit terms**

The number of employees covered by the benefit terms of the Plan as of June 30, 2017 are as follows:

Inactive employees currently receiving benefit payments <sup>(1)</sup>	3
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees <sup>(2)</sup>	0
Total number of participants	<u>3</u>

<sup>(1)</sup> One retiree is covered until age 65, which terminated on September 1, 2017. The average age of the remaining participants is 77.

<sup>(2)</sup> The Plan is closed to new participants

**Total OPEB Liability**

The District's total OPEB liability of \$124,628 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

**Actuarial Assumptions**

The total OPEB liability was determined using a financial reporting actuarial valuation as of June 30, 2017, which used the following actuarial methods and assumptions:

Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation	2.26%
Discount Rates	3.87% at June 30, 2018 3.58% at June 30, 2017
Healthcare cost trend rates	Medical 4.25% per year Dental and Vision 3.00% per year

Because the Plan is unfunded, the yield for the 20-year, tax-exempt general obligation municipal bond was used to determine the liability. The discount rate is based on the Bond Buyer 20-Bond General Obligation Index.

The mortality rates used in this valuation were those used in the most recent CalSTRS valuations for female retirees. *CalSTRS 2016 Mortality* post-retirement with generational mortality factors 10% greater than ultimate MP-2016 factors. No experience study was performed to select these assumptions.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Changes in the Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at Beginning of Year	\$ 132,811
Changes for the year:	
Service cost	0
Interest on total OPEB liability	4,572
Changes in benefit terms	0
Differences between expected and actual experience	514
Changes in assumptions or other inputs	(2,943)
Benefit payments	<u>(10,326)</u>
Net change	<u>(8,183)</u>
Balance at End of Year	<u><u>\$ 124,628</u></u>

There were no changes in benefit terms since the June 30, 2017 valuation.

*Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate*

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current discount rate of 3.87%, 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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	<u>Discount Rate 1% Decrease 2.87%</u>	<u>Discount Rate Current Rate 3.87%</u>	<u>Discount Rate 1% Increase 4.87%</u>
District's total OPEB liability	\$ 133,841	\$ 124,628	\$ 112,222

*Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following table presents the District's total OPEB liability as of the measurement date, calculated using the current healthcare cost trend rates of 4.25% for medical and 3.00% for dental and vision, 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 rates:

	<u>Healthcare Cost Trend Rates 1% Decrease</u>	<u>Healthcare Cost Trend Rates Current Rates</u>	<u>Healthcare Cost Trend Rates 1% Increase</u>
District's total OPEB liability	\$ 117,695	\$ 124,628	\$ 132,443

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$2,143. At June 30, 2019, the District reported deferred outflows of resources of \$9,925, which represent District contributions subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2020.

**NOTE 8 - RETIREMENT PLANS**

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 1,394,825	\$ 446,354	\$ 131,474	\$ 298,430
CalPERS	642,756	191,617	13,876	152,748
Totals	<u>\$ 2,037,581</u>	<u>\$ 637,971</u>	<u>\$ 145,350</u>	<u>\$ 451,178</u>

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

*Plan Description*

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator.

The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs and to defray reasonable expenses for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

Benefits Provided (Concluded)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation multiplied by the number of years of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: Pursuant to AB 1469, the CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2018-19.

Employers: Pursuant to AB 1469, the employer contribution rate was 16.28% of applicable member earnings for fiscal year 2018-19. The District contributed \$133,650 to the plan for the fiscal year ended June 30, 2019.

State: The contribution was 2.017% of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution for the fiscal year ended June 30, 2019 was 5.311%. Including a 2.50% contribution for SBMA funding, the total state appropriation to the defined benefit program was 9.828% for the fiscal year ended June 30, 2019.

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, 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.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)**

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 associated with the District was as follows:

District's proportionate share of the net pension liability	\$ 1,394,825
State's proportionate share of the net pension liability associated with the District	<u>798,602</u>
Total net pension liability attributed to District	<u><u>\$ 2,193,427</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The District's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

Proportion - June 30, 2018	0.0015%
Proportion - June 30, 2017	<u>0.0016%</u>
Change - Increase (Decrease)	<u><u>-0.0001%</u></u>

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$298,430, which includes \$127,332 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 133,650	
Differences between expected and actual experience	4,480	\$ 19,927
Changes of assumptions	224,525	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	83,699	52,146
Net differences between projected and actual earnings on plan investments		59,401
Totals	<u><u>\$ 446,354</u></u>	<u><u>\$ 131,474</u></u>



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 8 - RETIREMENT PLANS (CONTINUED)

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

District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2020	\$ 60,651
2021	40,578
2022	4,997
2023	31,543
2024	49,790
2025	(6,329)

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2018. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return <sup>1</sup>	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually)
	Maintain 85% purchasing power level for DB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**A. California State Teachers' Retirement System (CalSTRS) (Continued)**

**Actuarial Methods and Assumptions (Concluded)**

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 of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its 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 expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input 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 consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	<u>100%</u>	

\* 20-year average

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

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

**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 as previously described. 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.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the District's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	Discount Rate 1% Decrease 6.10%	Discount Rate Current Rate 7.10%	Discount Rate 1% Increase 8.10%
District's proportionate share of the net pension liability	\$ 2,043,255	\$ 1,394,825	\$ 857,213

**Pension Plan's Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description, Benefits Provided, and Employees Covered**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

*Plan Description, Benefits Provided, and Employees Covered (Concluded)*

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 18.062% of annual payroll. The District's contribution to CalPERS for the fiscal year ended June 30, 2019 was \$55,173.

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2019, the District reported a liability of \$642,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2018 and June 30, 2017 was as follows:

Proportion - June 30, 2018	0.0024%
Proportion - June 30, 2017	0.0025%
Change - Increase (Decrease)	<u><u>-0.0001%</u></u>

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

*District's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)*

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$152,748, which includes \$21,788 of support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	\$ 55,173	
Differences between expected and actual experience	42,168	
Changes of assumptions	65,418	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	28,858	\$ 12,659
Net differences between projected and actual earnings on plan investments		1,217
Totals	<u>\$ 191,617</u>	<u>\$ 13,876</u>

The deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other 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	
2020	\$ 70,415
2021	59,602
2022	(3,655)
2023	(3,794)

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2018. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor  
on Purchasing Power applies, 2.50% thereafter

The mortality rate table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's 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 on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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 returns of 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.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RETIREMENT PLANS (CONTINUED)**

**B. California Public Employees' Retirement System (CalPERS) (Continued)**

**Discount Rate (Concluded)**

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.

The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class <sup>(1)</sup>	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(2)</sup>	Real Return Years 11+ <sup>(3)</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
District's proportionate share of the net pension liability	\$ 935,822	\$ 642,756	\$ 399,616

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 8 - RETIREMENT PLANS (CONCLUDED)**

**B. California Public Employees' Retirement System (CalPERS) (Concluded)**

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**C. Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. Contributions made by the District and participating employees vest immediately. Both the District and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

**NOTE 9 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2019, is shown below:

	Balances July 1, 2018	Additions	Deductions	Balances June 30, 2019	Due within One Year
Long-Term Debt					
General Obligation Bonds	\$ 0	\$ 3,000,000		\$ 3,000,000	\$ 190,000
Bond Premiums	0	204,800	\$ 4,589	200,211	6,884
Other Long-Term Liabilities					
Compensated Absences	37,187	42,860	37,187	42,860	42,860
Total OPEB Liability	132,811	2,143	10,326	124,628	
Net Pension Liabilities	2,042,609	54,498	59,526	2,037,581	
Totals	<u>\$ 2,212,607</u>	<u>\$ 3,304,301</u>	<u>\$ 111,628</u>	<u>\$ 5,405,280</u>	<u>\$ 239,744</u>

The general obligation bonds and bond premiums are obligations of the Bond Interest and Redemption Fund, which is primarily funded by property tax collections. The other long-term liabilities will be financed primarily by the General Fund.

**NOTE 10 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The District was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) for K-12 Education. These payments consist of state general fund contributions of \$127,332 to CalSTRS and \$21,788 to CalPERS.



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 11 - FUND BALANCES**

The District's fund balances at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Capital Projects - Special Reserve Fund	Non-Major Governmental Funds	Totals
<b>Nonspendable:</b>					
Revolving Cash	\$ 100			\$ 100	\$ 200
Prepaid Expenditures	1,552				1,552
Total Nonspendable	1,652			100	1,752
<b>Restricted:</b>					
Categorical Programs	47,431			7,531	54,962
Capital Projects		\$ 2,647,904		49,156	2,697,060
Debt Service				372,860	372,860
Other Programs	20,660				20,660
Total Restricted	68,091	2,647,904		429,547	3,145,542
<b>Committed:</b>					
Deferred Maintenance				20,421	20,421
Total Committed				20,421	20,421
<b>Assigned:</b>					
OPEB	102,117				102,117
Special Education	90,000				90,000
Technology Upgrades	86,940				86,940
Capital Projects			\$ 103,818		103,818
Other	90,000				90,000
Total Assigned	369,057		103,818		472,875
<b>Unassigned:</b>					
Reserve for Economic Uncertainties	363,929				363,929
Remaining Unassigned Balance	1,223,334				1,223,334
Total Unassigned	1,587,263	0	0	0	1,587,263
<b>Total Fund Balances</b>	<b>\$ 2,026,063</b>	<b>\$ 2,647,904</b>	<b>\$ 103,818</b>	<b>\$ 450,068</b>	<b>\$ 5,227,853</b>

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018-19, the District participated in one joint power authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

**NOTE 13 - JOINT VENTURE**

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

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 13 - JOINT VENTURE (CONCLUDED)**

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

**NOTE 14 - 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 reimbursements will not be material.

**B. Litigation**

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

**NOTE 15 - SUBSEQUENT EVENTS**

The District's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through December 9, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION SECTION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b><u>Revenues</u></b>				
LCFF Sources:				
State Apportionment / Transfers	\$ 336,012	\$ 336,012	\$ 340,646	\$ 4,634
Local Sources	1,504,599	1,606,257	1,617,777	11,520
Total LCFF Sources	1,840,611	1,942,269	1,958,423	16,154
Federal Revenue	47,436	47,028	50,152	3,124
Other State Revenue	141,274	252,303	234,614	(17,689)
Other Local Revenue	228,519	253,951	308,846	54,895
Total Revenues	2,257,840	2,495,551	2,552,035	56,484
<b><u>Expenditures</u></b>				
Current:				
Certificated Salaries	895,466	895,132	886,073	9,059
Classified Salaries	436,270	435,378	412,987	22,391
Employee Benefits	478,901	561,630	540,042	21,588
Books and Supplies	92,729	113,315	88,132	25,183
Services and Other				
Operating Expenditures	390,455	424,363	391,799	32,564
Capital Outlay		164,626	163,870	756
Total Expenditures	2,293,821	2,594,444	2,482,903	111,541
Excess of Revenues Over (Under) Expenditures	(35,981)	(98,893)	69,132	168,025
<b><u>Other Financing (Uses)</u></b>				
Operating Transfers Out	(7,000)	(39,400)	(35,090)	4,310
Net Change in Fund Balances	(42,981)	(138,293)	34,042	\$ 172,335
Fund Balances - July 1, 2018	1,992,021	1,992,021	1,992,021	
Fund Balances - June 30, 2019	\$ 1,949,040	\$ 1,853,728	\$ 2,026,063	

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS \***

**JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 0	\$ 0
Interest on Total OPEB Liability	4,572	4,317
Changes in Benefit Terms	0	0
Differences Between Expected and Actual Experience	514	10,634
Changes in Assumptions or Other Inputs	(2,943)	(27,117)
Benefit Payments	<u>(10,326)</u>	<u>(12,922)</u>
<b>Net Changes in Total OPEB Liability</b>	(8,183)	(25,088)
<b>Total OPEB Liability - Beginning</b>	<u>132,811</u>	<u>157,899</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$ 124,628</u></u>	<u><u>\$ 132,811</u></u>
 <b>Covered-employee Payroll **</b>	 N/A	 N/A
 <b>District's Total OPEB Liability as</b>		
<b>Percentage of Covered-employee Payroll **</b>	N/A	N/A

\*\* District has no active employees eligible for OPEB

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end reporting date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS \***

**JUNE 30, 2019**

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to District	Total NPL Attributed to District	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2019	0.0015%	\$ 1,394,825	\$ 798,602	\$ 2,193,427	\$ 807,866	172.66%	70.99%
2018	0.0016%	1,454,351	860,382	2,314,733	833,474	174.49%	69.46%
2017	0.0015%	1,193,221	884,231	2,077,452	735,238	162.29%	70.04%
2016	0.0015%	1,019,165	694,944	1,714,109	702,635	145.05%	74.02%
2015	0.0014%	824,304	596,661	1,420,965	628,279	131.20%	76.52%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS \***

**JUNE 30, 2019**

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Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered Payroll	District's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2019	0.0024%	\$ 642,756	\$ 317,964	202.15%	70.85%
2018	0.0025%	588,258	314,228	187.21%	71.87%
2017	0.0021%	417,571	253,651	164.62%	73.90%
2016	0.0022%	330,384	248,144	133.14%	79.43%
2015	0.0021%	241,676	223,475	108.14%	83.38%

\* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS - CALSTRS \***

**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2019	\$ 133,650	\$ 133,650	\$ -	\$ 820,946	16.28%
2018	117,164	117,164	-	811,947	14.43%
2017	102,694	102,694	-	816,328	12.58%
2016	80,442	80,442	-	749,692	10.73%
2015	62,133	62,133	-	699,695	8.88%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - CALPERS \***  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Year Ended June 30</u>	<u>Actuarially Determined Contributions</u>	<u>Contributions In Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions As a % of Covered Payroll</u>
2019	\$ 55,173	\$ 55,173	\$ -	\$ 305,465	18.062%
2018	49,151	49,151	-	316,470	15.531%
2017	43,873	43,873	-	315,906	13.888%
2016	30,038	30,038	-	253,549	11.847%
2015	29,210	29,210	-	248,152	11.771%

\* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the District is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP). There was no excess of expenditures over appropriations in the General Fund as of June 30, 2019.

**B. Schedule of Changes in Total OPEB Liability and Related Ratios**

In accordance with Governmental Accounting Standards Board Statement No. 75, the District is required to present a 10-year schedule including certain information for each OPEB plan. The information required to be presented includes certain components that make up the changes in the total OPEB liability, the total OPEB liability, the covered-employee payroll, and the total OPEB liability as a percentage of the District's covered-employee payroll.

**C. Schedule of the Proportionate Share of the Net Pension Liability**

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the District's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the District, if applicable, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**D. Schedule of Contributions**

In accordance with Governmental Accounting Standards Board Statement No. 68, the District is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required District contribution, the amount of contributions recognized by the pension plan in relation to the required District contribution, the difference between the required District contribution and the amount recognized by the pension plan, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation of the District as a percentage of the District's covered payroll.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 2 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

Trust Assets

The District has no assets accumulated in a trust that meet the criteria of GASB 75 to pay related benefits.

Benefit Terms

There were no changes in benefit terms since the June 30, 2017 valuation.

Changes in Assumptions or Other Inputs

The discount rate changed from 3.58% at June 30, 2017 to 3.87% at June 30, 2018.

**NOTE 3 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS**

Benefit Changes

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes of Assumptions

During fiscal year 2017-18, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

As a result of the study, CalPERS changed the following assumption used in determining the NPL as follows:

<u>Assumption</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>
Inflation	2.50%	2.75%

There were no changes in assumptions since the previous valuation for CalSTRS.

## SUPPLEMENTARY INFORMATION SECTION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**ORGANIZATION/BOARD OF TRUSTEES/ADMINISTRATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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ORGANIZATION

The Alexander Valley Union School District comprises an area located in Sonoma County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Alison Doran	President	November 2022
Laura Hawkes	Clerk	November 2022
Steve Smit	Trustee	November 2022
Yvonne Kreck	Trustee	November 2020
Derek Peachey	Trustee	November 2020

ADMINISTRATION

Matt Reno  
Superintendent / Principal

Anne Kopache  
Business Manager

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>Deferred Maintenance</b>	<b>Cafeteria</b>	<b>Bond Interest and Redemption</b>	<b>Capital Facilities</b>	<b>Total Non-Major Governmental Funds</b>
<b><u>Assets</u></b>					
Deposits and Investments	\$ 20,421	\$ 10,735	\$ 372,860	\$ 43,725	\$ 447,741
Receivables		797		5,431	6,228
Total Assets	<u>\$ 20,421</u>	<u>\$ 11,532</u>	<u>\$ 372,860</u>	<u>\$ 49,156</u>	<u>\$ 453,969</u>
<b><u>Liabilities and Fund Balances</u></b>					
Liabilities:					
Accounts Payable		<u>\$ 3,901</u>			<u>\$ 3,901</u>
Fund Balances:					
Nonspendable		100			100
Restricted		7,531	\$ 372,860	\$ 49,156	429,547
Committed	<u>\$ 20,421</u>				<u>20,421</u>
Total Fund Balances	<u>20,421</u>	<u>7,631</u>	<u>372,860</u>	<u>49,156</u>	<u>450,068</u>
Total Liabilities and Fund Balances	<u>\$ 20,421</u>	<u>\$ 11,532</u>	<u>\$ 372,860</u>	<u>\$ 49,156</u>	<u>\$ 453,969</u>

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Deferred Maintenance</u>	<u>Cafeteria</u>	<u>Bond Interest and Redemption</u>	<u>Capital Facilities</u>	<u>Total Non-Major Governmental Funds</u>
<b><u>Revenues</u></b>					
LCFF Sources:					
State Apportionment / Transfers	\$ 12,000				\$ 12,000
Federal Revenue		\$ 9,932			9,932
State Revenue		1,099	\$ 208		1,307
Local Revenue	226	18,168	203,266	\$ 21,080	242,740
Total Revenues	12,226	29,199	203,474	21,080	265,979
<b><u>Expenditures</u></b>					
Current:					
Food Services		32,887			32,887
Plant Services	6,110				6,110
Debt Service:					
Interest and Issuance Costs			35,414		35,414
Total Expenditures	6,110	32,887	35,414	0	74,411
Excess of Revenues Over (Under) Expenditures	6,116	(3,688)	168,060	21,080	191,568
<b><u>Other Financing Sources</u></b>					
Operating Transfers In		2,752			2,752
Other Sources			204,800		204,800
Total Other Financing Sources (Uses)	0	2,752	204,800	0	207,552
Net Change in Fund Balances	6,116	(936)	372,860	21,080	399,120
Fund Balances - July 1, 2018	14,305	8,567	0	28,076	50,948
Fund Balances - June 30, 2019	\$ 20,421	\$ 7,631	\$ 372,860	\$ 49,156	\$ 450,068

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<b>P-2 Report</b>			<b>Annual Report</b>		
	<b><u>TK/K - 3</u></b>	<b><u>4 - 6</u></b>	<b><u>Total</u></b>	<b><u>TK/K - 3</u></b>	<b><u>4 - 6</u></b>	<b><u>Total</u></b>
Regular ADA	<u>63.06</u>	<u>42.52</u>	<u>105.58</u>	<u>62.84</u>	<u>42.60</u>	<u>105.44</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION



**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<b><u>Grade Level</u></b>	<b><u>Minutes Required</u></b>	<b><u>2018-19 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Number of Days Multitrack Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	55,137	180	N/A	In Compliance
Grade 1	50,400	58,532	180	N/A	In Compliance
Grade 2	50,400	58,532	180	N/A	In Compliance
Grade 3	50,400	58,532	180	N/A	In Compliance
Grade 4	54,000	58,532	180	N/A	In Compliance
Grade 5	54,000	58,532	180	N/A	In Compliance
Grade 6	54,000	58,532	180	N/A	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund	Special Revenue - Special Reserve Fund	Special Reserve for Postemployment Benefits Fund	Building Fund
June 30, 2019 Annual Financial and Budget Report Fund Balances	\$ 1,598,977	\$ 324,969	\$ 102,117	\$ 2,690,129
Adjustments (Decreasing) Fund Balances:				
Understatement of Capital Outlay Expenditures				(42,225)
Reclassifications Increasing (Decreasing) Fund Balances:				
Reclassification of Fund Balances	427,086	(324,969)	(102,117)	
June 30, 2019 Audited Financial Statements Fund Balances	<u>\$ 2,026,063</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,647,904</u>

Auditor's Comments

The fund balances of the General Fund, Special Revenue - Special Reserve Fund, and Special Reserve for Postemployment Benefits Fund have been combined for financial reporting purposes in accordance with GASB Statement No. 54.

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2019.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	GENERAL FUND			
	(Budget) 2019-20 <sup>(1)</sup>	2018-19	2017-18	2016-17
Revenues and Other Financial Sources	\$ 2,356,061	\$ 2,552,035	\$ 2,321,485	\$ 2,287,859
Expenditures	2,388,081	2,482,903	2,193,287	2,185,999
Other Uses and Transfers Out	7,000	35,090	13,879	81,500
Total Outgo	2,395,081	2,517,993	2,207,166	2,267,499
Change in Fund Balance	(39,020)	34,042	114,319	20,360
Ending Fund Balance	\$ 1,987,043	\$ 2,026,063	\$ 1,992,021	\$ 1,877,702
Available Reserves	\$ 1,554,074	\$ 1,587,263	\$ 1,443,573	\$ 1,334,942
Reserve for Economic Uncertainties <sup>(2)</sup>	\$ 365,283	\$ 363,929	\$ 396,074	\$ 115,111
Available Reserves as a Percentage of Total Outgo	64.9%	63.0%	65.4%	58.9%
Average Daily Attendance at P-2	105	106	111	119
Total Long-Term Liabilities	\$ 5,165,536	\$ 5,405,280	\$ 2,212,607	\$ 1,804,082

<sup>(1)</sup> Amounts have been adjusted to ensure comparability with the current year GASB 54 financial statement presentation.

<sup>(2)</sup> Reported balances are a component of available reserves.

The fund balance of the General Fund increased \$148,361 (7.9%) over the past two years. The fiscal year 2019-20 budget projects a decrease of \$39,020 (1.9%). For a district this size, the state recommends available reserves of at least 5% of total general fund expenditures, transfers out, and other uses (total outgo).

The District produced operating surpluses in each of the last three years.

Average daily attendance (ADA) decreased 13 ADA (10.9%) over the past two years. The District anticipates a decrease of 1 ADA (<1%) during fiscal year 2019-20.

Total long-term liabilities increased \$3,601,198 over the past two years due primarily to the issuance of \$3,000,000 of general obligation bonds during fiscal year 2018-19.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Combining Statements**

Combining statements are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements present more detailed information about the financial position and financial activities of the District's individual funds.

**B. Schedule of Average Daily Attendance**

Average daily attendance 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.

**C. Schedule of Instructional Time**

The District participated in the Longer Day incentive funding program for the current fiscal year and did meet its LCFF funding target. This schedule presents information on the instructional days provided and the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code.

**D. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

**E. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Trustees  
Alexander Valley Union School District  
Healdsburg, California

### **Report on State Compliance**

We have audited Alexander Valley Union School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state programs identified on the following page for the fiscal year ended June 30, 2019.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. 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 *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the District's state programs occurred. An audit includes examining, on a test basis, evidence about Alexander Valley 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 with state laws and regulations. Our audit does not provide a legal determination of Alexander Valley Union School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
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	Yes
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	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Yes
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Not Applicable
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	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform procedures for the independent study program because the average daily attendance claimed by the District does not exceed the threshold that requires testing.

#### Opinion on State Compliance

In our opinion, Alexander Valley Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying Schedule of Findings and Questioned Costs, as noted in **Finding 2019 - 002**. Our opinion on state compliance on the programs previously identified is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 9, 2019





# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Alexander Valley Union School District  
Healdsburg, 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, each major fund, and the aggregate remaining fund information of the Alexander Valley Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2019.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a material weakness, as noted in **Finding 2019 - 001**.

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 9, 2019

## FINDINGS AND QUESTIONED COSTS SECTION

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

  X   Yes             No

Significant deficiencies identified not considered  
to be material weaknesses?

       Yes        X   None reported

Noncompliance material to financial statements noted?

       Yes        X   No

**State Awards**

Any audit findings required to be reported in accordance  
with the *2018-19 Guide for Annual Audits of K-12 Local  
Educational Agencies and State Compliance Reporting?*

  X   Yes             No

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

Unmodified

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2019 - 001 / 30000**

**MATERIAL WEAKNESS**

**EXPENDITURE RECOGNITION**

Criteria: Under the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, regardless of when the related invoices or progress billings are actually received. Accordingly, districts should have effective procedures in place to ensure that all material expenditures are recorded in the appropriate financial reporting period.

Condition: The District did not have appropriate procedures in place to ensure that all material expenditures were recorded in the appropriate financial reporting period. As a result, the District's 2018-19 "Unaudited Actuals" financial report did not include \$42,225 of capital outlay expenditures.

Questioned Costs: None.

Context: Capital outlay expenditures were understated by \$42,225 for the architectural services related to the District's Measure B projects. Architectural services provided in June 2019 and reimbursable expenditures incurred in June 2019 were not accrued as accounts payable on the District's general ledger at June 30, 2019.

Effect: The liabilities and expenditures reported in the Building Fund were materially understated. The adjustment that was made to ensure that the financial statements are fairly stated is presented on page 64.

Cause: District personnel missed setting up the June 2019 invoice as a liability when they were processed for payment in July 2019.

Recommendation: The District should establish appropriate procedures to ensure that all material expenditures, especially those related to capital projects, are recorded in the appropriate financial reporting period.

District Response: All invoices received are reviewed for the date of service or purchase before payment. At the end of the fiscal year all invoices received after the last County Office accounts payable scheduled processing are set up as an accounts payable liability in the next fiscal year. An invoice received after June 30, 2019 was paid after July 1, 2019 without it first being set up in the financial system as a prior fiscal year payable. Although systems and procedures are in place this error was made. Going forward accounts payable transactions will be reviewed more stringently especially during the year end closing process.

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**2019 - 002 / 72000**

**SCHOOL ACCOUNTABILITY REPORT CARD**

<b><u>Criteria:</u></b>	<ol style="list-style-type: none"><li>1. Districts are required to make disclosures in the annual school accountability report cards, prepared for each school site, regarding the safety, cleanliness, and adequacy of school facilities, teacher vacancies and misassignments, and the availability of textbooks and instructional materials. Accordingly, districts should have procedures in place to ensure that the required disclosures are based on the most recent available data collected by the District, and are properly included in the school accountability report cards prior to being disseminated to the public.</li><li>2. In accordance with guidance provided by the California Department of Education (CDE), the disclosures regarding safety, cleanliness, and adequacy of school facilities, which are required by Education Code Section 17002(d) to be presented in the school accountability report card prepared for each school, are to be based on the most recent available data collected by the District.</li></ol>
<b><u>Conditions:</u></b>	<ol style="list-style-type: none"><li>1. The District does not currently have procedures in place to ensure that the required disclosures are properly reported in the annual school accountability report cards, prior to being disseminated to the public. As a result, we noted instances where required disclosures were missing.</li><li>2. The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the annual school accountability report cards did not agree to the most recently completed Facilities Inspection Tool (FIT).</li></ol>
<b><u>Questioned Costs:</u></b>	None.
<b><u>Context:</u></b>	<ol style="list-style-type: none"><li>1. The disclosures regarding teacher credentials and teacher misassignments and vacancies were left blank under both the 2017-18 and 2018-19 fiscal year columns. The District has corrected these omissions and the updated SARC is currently on the District website.</li><li>2. Date of most recent FIT was incorrectly reported and the repair status of Restrooms/Fountains was not consistent with the most recent FIT.</li></ol>
<b><u>Effects:</u></b>	<ol style="list-style-type: none"><li>1. The public is not adequately being informed about the required disclosures in accordance with state requirements.</li><li>2. The disclosures regarding safety, cleanliness, and adequacy of school facilities, which were presented in the annual school accountability report card for each school were not presented in accordance with state guidelines.</li></ol>

**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**SCHOOL ACCOUNTABILITY REPORT CARD (CONCLUDED)**

- Causes:**
1. The District has not adequately established procedures to ensure that the required disclosures are properly included in the school accountability report cards, prior to being disseminated to the public.
  2. The District was unaware that the disclosures regarding safety, cleanliness, and adequacy of school facilities, were not presented accurately in the school accountability report card.

- Recommendations:**
1. The District should establish appropriate procedures to ensure that all required disclosures are properly included in all future school accountability report cards, prior to being disseminated to the public.
  2. Future school accountability report card disclosures regarding safety, cleanliness, and adequacy of school facilities, should be consistent with the most recently completed FIT in regards to both the detailed information for each school facilities category and date of most recent FIT report.

**District Response:**

Both the Superintendent and the Chief Business Official will review the School Accountability Report Card (SARC) before publishing to ensure accuracy of information. In the 2019-20 fiscal year a new staff member was hired in the Maintenance department. Training in reporting and completing the Facilities Inspection Tool (FIT) will be done. For the 2019-20 fiscal year and beyond that staff member will be responsible for completion of the FIT and will submit it to the Superintendent for inclusion on the SARC.



**ALEXANDER VALLEY UNION SCHOOL DISTRICT  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<b><u>STATE AWARDS</u></b>		
<b>2018 - 001 / 40000</b>		
<u>CALIFORNIA CLEAN ENERGY JOBS ACT</u>		
The District should contact the California Department of Education to determine if any unspent Proposition 39 program funds need to be returned.	Implemented	

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## APPENDIX C

### GENERAL AND DEMOGRAPHIC INFORMATION FOR THE CITY OF HEALDSBURG AND SONOMA COUNTY

*The following information concerning the City of Healdsburg (the "**City**") and Sonoma County (the "**County**") are included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

#### **Location**

**The City.** The City, located in the County, is a commercial center for the northern area of Sonoma County and is one of California's wine capitals. Healdsburg is also a major tourist attraction with a boutique downtown, wine tasting, upscale shopping, fine dining and art galleries. Incorporated in 1867, Healdsburg is governed by a five-member City Council that controls policy and elects a Mayor.

**The County.** One of California's original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles. Varied terrain in the County includes Pacific coastline, the Russian River, vineyards, and old growth redwoods. The County is the original home of wine production in northern California and still the largest producer of quality wine.

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

## Population

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

### SONOMA COUNTY Population 2015 through 2019

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

Source: California State Department of Finance estimates.

*[Remainder of page intentionally left blank]*

## Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area (“**MSA**”), which consists of the County. The unemployment rate in Sonoma County was 2.4% in December 2019, unchanged from a revised 2.4% in November 2019, and below the year-ago estimate 2.6%. This compares with an unadjusted unemployment rate of 3.7% for California and 3.4% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2014 through 2018.

**SANTA ROSA MSA  
(SONOMA COUNTY)**  
**Annual Averages of Civilian Labor Force, Employment and Unemployment  
and Employment by Industry  
Calendar Years 2014 through 2018  
(March 2018 Benchmark)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Civilian Labor Force <sup>(1)</sup>	256,100	257,900	259,400	260,400	262,300
Employment	241,800	246,300	249,100	251,600	255,200
Unemployment	14,400	11,600	10,300	8,800	7,200
Unemployment Rate	5.6%	4.5%	4.0%	3.4%	2.7%
<u>Wage and Salary Employment <sup>(2)</sup></u>					
Agriculture	6,100	6,000	6,100	6,100	6,600
Mining and Logging	300	200	200	200	200
Construction	10,500	11,600	12,400	13,100	15,000
Manufacturing	20,700	22,000	22,700	23,000	23,400
Wholesale Trade	7,200	7,200	7,300	7,400	7,500
Retail Trade	24,300	24,700	25,000	25,100	24,900
Transportation, Warehousing and Utilities	4,300	4,300	4,200	4,000	4,100
Information	2,700	2,700	2,700	2,700	2,700
Financial Activities	7,700	8,100	8,400	8,800	8,900
Professional and Business Services	20,300	20,600	21,000	21,800	23,000
Educational and Health Services	31,200	32,100	33,000	34,100	35,000
Leisure and Hospitality	23,900	24,700	25,400	25,700	25,400
Other Services	6,800	7,000	7,200	7,200	7,100
Federal Government	1,300	1,300	1,300	1,400	1,300
State Government	5,000	5,100	5,000	4,800	4,400
Local Government	24,900	25,400	26,000	26,100	25,600
Total, All Industries <sup>(3)</sup>	197,100	202,700	207,800	211,500	215,200

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The table below lists the major employers in the County as of February 2020, listed alphabetically.

**COUNTY OF SONOMA**  
**Major Employers**  
**As of February 2020**

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

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

## Effective Buying Income

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

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

### CITY OF HEALDSBURG, SONOMA COUNTY, STATE OF CALIFORNIA & UNITED STATES Effective Buying Income 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Healdsburg	\$304,165	\$49,190
	Sonoma County	14,241,130	56,067
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Healdsburg	\$354,776	\$57,558
	Sonoma County	15,518,066	60,353
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Healdsburg	\$417,352	\$65,754
	Sonoma County	16,179,391	62,413
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Healdsburg	\$456,967	\$73,687
	Sonoma County	17,456,950	68,021
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Healdsburg	\$506,133	\$80,942
	Sonoma County	18,287,988	71,696
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

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

## Commercial Activity

Total taxable transactions in the City during the first three quarters of calendar year 2019 were reported to be \$304,833,465 a 6.07% decrease from the total taxable sales of \$324,549,693 that were reported during the first three quarters of calendar year 2018. A summary of historic taxable sales within the City is shown in the following table. Annual figures are not yet available for 2019.

**CITY OF HEALDSBURG**  
**Taxable Transactions**  
**Number of Permits and Valuation of**  
**Taxable Transactions (shown in thousands of dollars)**  
**Calendar Years 2014 through 2018**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	529	\$260,741	841	\$357,024
2015 <sup>(1)</sup>	520	277,234	933	381,187
2016	523	283,903	932	389,915
2017	518	316,993	924	415,731
2018	968	437,500	506	335,396

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

Source: State Department of Tax and Fee Administration.

Total taxable transactions in the County during the first three quarters of calendar year 2019 were reported to be \$7,298,195,223, a 0.12% decrease from the total taxable sales of \$7,307,091,465 that were reported during the first three quarters of calendar year 2018. A summary of historic taxable sales within the County is shown in the following table. Annual figures are not yet available for 2019.

**SONOMA COUNTY**  
**Taxable Transactions**  
**Number of Permits and Valuation of**  
**Taxable Transactions (shown in thousands of dollars)**  
**Calendar Years 2014 through 2018**

	<b>Retail Stores</b>		<b>Total All Outlets</b>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	11,881	\$5,931,984	18,179	\$8,467,551
2015 <sup>(1)</sup>	8,699	6,104,395	19,916	8,704,969
2016	11,381	6,348,476	20,378	9,002,536
2017	11,366	6,679,426	20,533	9,393,597
2018	21096	9,985,463	11380	7,116,968

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

Source: State Department of Tax and Fee Administration.



## Construction Activity

The tables below summarize building activity in the City and the County from calendar years 2014 through 2018.

### CITY OF HEALDSBURG Total Building Permit Valuations (Figures in Thousands) Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$2,651.2	\$13,708.1	\$8,845.5	\$2,353.1	\$16,509.3
New Multi-family	208.5	0.0	0.0	0.0	0.0
Res. Alterations/Additions	4,061.1	5,921.9	6,959.0	6,549.2	571.5
Total Residential	6,920.8	19,630.0	15,804.5	8,902.3	17,080.8
New Commercial	1,046.0	1,004.0	15,877.5	562.7	27,708.4
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	895.8	3,077.6	1,881.5	1,156.6	2,582.3
Com. Alterations/Additions	6,044.5	3,771.1	2,812.6	132.1	700.0
Total Nonresidential	7,986.3	7,852.7	20,571.6	1,851.4	30,990.7
<u>New Dwelling Units</u>					
Single Family	6	42	25	5	24
Multiple Family	2	0	0	0	0
TOTAL	8	42	25	5	24

Source: Construction Industry Research Board, Building Permit Summary.

### SONOMA COUNTY Total Building Permit Valuations (Figures in Thousands) Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$69,788.4	\$65,968.4	\$112,941.1	\$202,169.1	\$1,071,852.3
New Multi-family	22,017.8	27,797.3	26,149.2	46,674.0	127,743.3
Res. Alterations/Additions	64,228.0	78,005.1	71,079.1	97,326.9	96,590.5
Total Residential	156,034.20	171,770.8	210,169.4	346,170.0	1,296,186.1
New Commercial	55,718.9	53,975.7	93,462.5	79,737.8	141,873.8
New Industrial	0.0	2,484.9	156.4	759.6	1,277.3
New Other	70,889.7	16,513.4	19,225.1	25,572.7	66,129.7
Com. Alterations/Additions	8,657.2	84,641.9	79,943.6	99,102.9	124,238.1
Total Nonresidential	135,265.8	157,615.9	192,787.6	205,173.0	333,518.9
<u>New Dwelling Units</u>					
Single Family	292	236	560	881	3,247
Multiple Family	214	206	264	351	1,057
TOTAL	506	442	824	1,232	4,304

Source: Construction Industry Research Board, Building Permit Summary.

## **Transportation**

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

## **Education**

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

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

## APPENDIX D

### PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

\_\_\_\_\_, 2020

Board of Trustees  
Alexander Valley Union School District  
8511 Hwy 128  
Healdsburg, CA 95448

**OPINION:**     \$\_\_\_\_\_ Alexander Valley Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series B

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Members of the Board of Trustees:

We have acted as bond counsel to the Alexander Valley Union School District (the "District") in connection with the issuance by the District of \$\_\_\_\_\_ principal amount of Alexander Valley Union School District (Sonoma County, California) General Obligation Bonds, Election of 2018, Series B, dated the date hereof (together, the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on March 9, 2020 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Sonoma is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property that is taxable at limited rates).

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

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

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

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

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

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

Respectfully submitted,

A Professional Law Corporation

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**ALEXANDER VALLEY UNION SCHOOL DISTRICT**  
(Sonoma County, California)  
**General Obligation Bonds, Election of 2018, Series B**  
(Bank Qualified)

#### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Alexander Valley Union School District (the “**District**”) in connection with the execution and delivery of the captioned bonds (the “**Bonds**”). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on March 9, 2020 (the “**Resolution**”). The Bank of New York Mellon Trust Company, N.A. is initially acting as paying agent for the Bonds (the “**Paying Agent**”).

The District hereby covenants and agrees as follows:

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

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

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

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

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

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

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

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

*“Paying Agent”* means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

*“Participating Underwriter”* means Raymond James & Associates, Inc., the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021 with the report for the 2019-20 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

- (i) Assessed value of taxable property in the jurisdiction of the District;
- (ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District;
- (iii) Property tax collection delinquencies for the District, but only if available from the County of Sonoma (the "County") at the time of filing the Annual Report and only if the District's general obligation bond levies are not included in 'the Teeter Plan (as defined in the Official Statement);
- (iv) The District's adopted Budget, or approved interim report with budgeted figures, that is available at the time of filing the Annual Report; and
- (v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

**Section 5. Reporting of Significant Events.**

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

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



event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

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

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

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

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

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

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

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

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

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

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

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

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

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

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

Date: \_\_\_\_\_, 2020

**ALEXANDER VALLEY UNION SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTANCE OF DUTIES  
AS DISSEMINATION AGENT

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## **APPENDIX G**

### **SONOMA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT**

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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.



**SONOMA COUNTY POOLED INVESTMENT PROGRAM**  
**For Quarter Ending December 31, 2019**

BEGINNING FUND BALANCE (10/01/2019)	\$2,187,622,121
ENDING FUND BALANCE	\$2,774,533,225
AVERAGE DAILY FUND BALANCE	\$2,438,494,140
TOTAL INTEREST EARNED (after fees)	\$12,660,208
INTEREST RATE (after fees)	2.060
INTEREST RATE (before fees)	2.142

**TOTAL FUNDS MANAGED BY TREASURY**

TOTAL TREASURY BALANCE	\$2,783,651,091
(including tobacco endowment, PACE bond investments, active bank accounts and money in transit)	

# **SONOMA COUNTY QUARTERLY INVESTMENT REPORT**

## **For Quarter Ending December 31, 2019**

### **INVESTMENT POOL YIELD:**

The yield during this quarter is 2.142% before fees and 2.060% after fees.

### **MARKET VALUE:**

The market value of the portfolio as of December 31, 2019, is at 100.131% 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 751 days.

Excluding SCEIP investments, the weighted average days to maturity is 734 days.

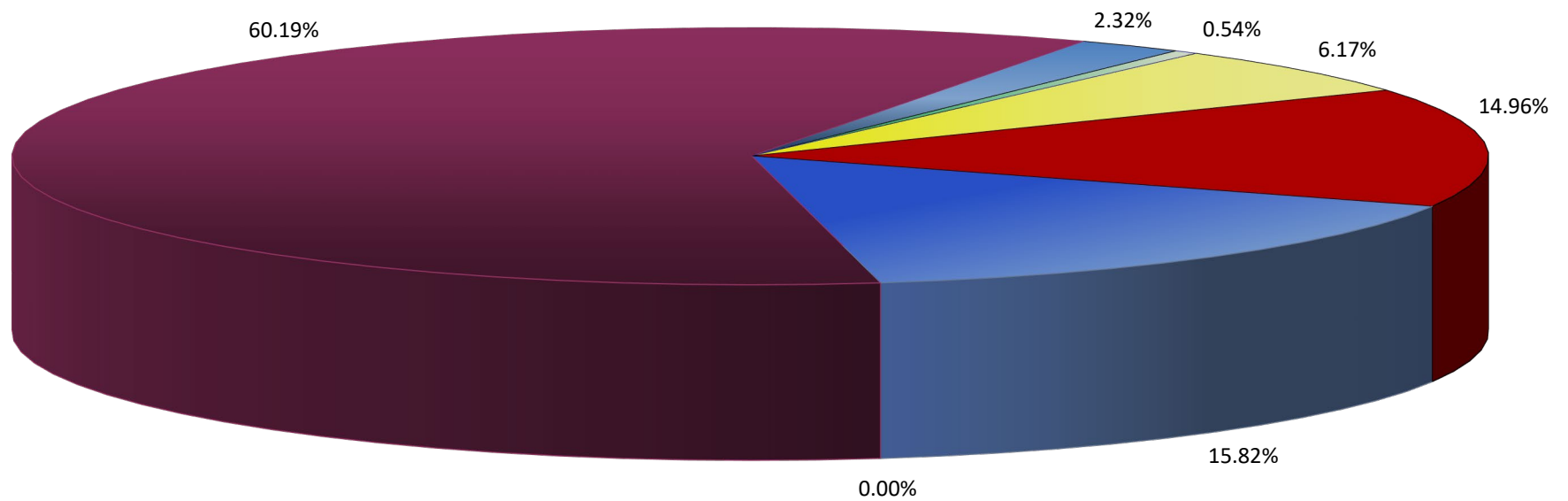
### **CHARTS:**

- 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 12/31/2019

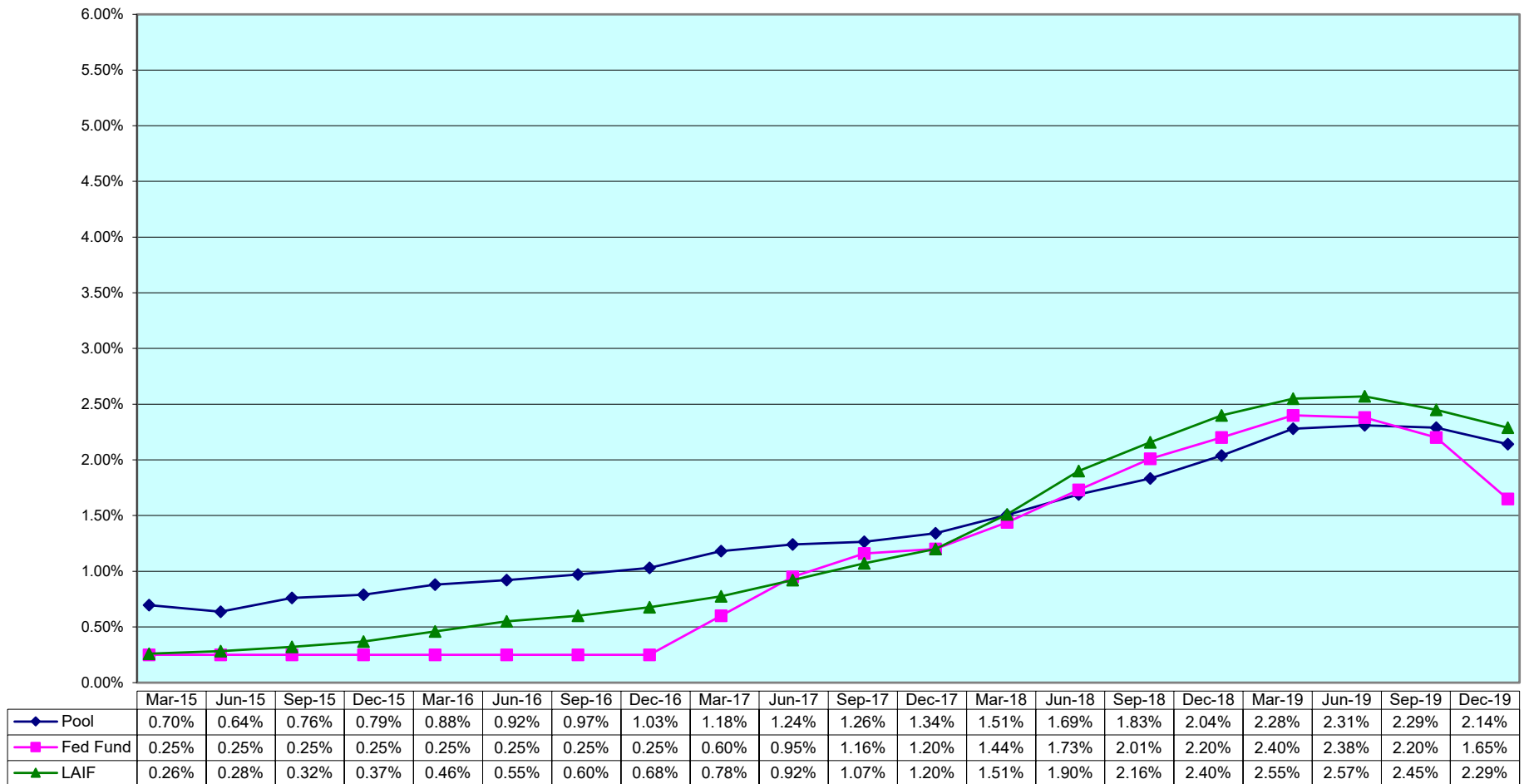


GOVERNMENT POOLS & JPA's  
CASH, CHECKS, AND WARRANTS  
NEGOTIABLE CERTIFICATES OF DEPOSIT

OTHER GOVERNMENTS  
MONEY MARKET MUTUAL FUNDS

TREASURY BILLS AND NOTES  
CORPORATE NOTES AND BONDS

## SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



\*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 12/31/2019**

	<b>BOOK VALUE</b>
CHECKS AND WARRANTS IN TRANSIT	\$6,485,198
CASH IN VAULT	\$71,813
CASH IN BANK	\$8,459,739
TREASURY BILLS AND NOTES	\$64,387,305
BANKERS ACCEPTANCES	\$0
OTHER GOVERNMENTS	\$1,669,919,858
COMMERCIAL PAPER	\$0
CORPORATE BONDS AND NOTES	\$415,045,637
NEGOTIABLE CERTIFICATES OF DEPOSIT	\$439,000,000
OTHER GOVERNMENT POOLS AND JPA'S	\$0
MONEY MARKET MUTUAL FUNDS	\$171,163,675
<b>TOTAL</b>	<b>\$2,774,533,225</b>

# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
TREASURY NOTES	07/31/2020	10/09/2019	2.62500	1.67728	19,000,000.00	19,197,994.87
TREASURY NOTES	09/15/2020	12/27/2019	1.37500	1.62161	10,000,000.00	10,021,664.03
TREASURY NOTES	09/15/2020	12/27/2019	1.37500	1.60509	15,000,000.00	15,034,220.44
TREASURY NOTES	09/30/2020	12/09/2019	2.00000	1.61321	20,000,000.00	20,133,425.77
<b>SUBTOTAL TREASURY BILLS AND NOTES</b>		<b>2.32%</b>			<b>64,000,000.00</b>	<b>64,387,305.11</b>
FEDERAL FARM CREDIT BANK	01/06/2020	01/06/2017	1.72000	1.72000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	01/27/2020	01/31/2017	1.70000	1.71204	25,000,000.00	24,999,791.48
FEDERAL FARM CREDIT BANK	02/18/2020	05/18/2016	1.36000	1.36000	10,000,000.00	10,000,000.00
FHLMC	04/13/2020	04/13/2017	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	04/13/2020	04/13/2018	2.37500	2.40257	10,000,000.00	9,999,245.89
FEDERAL HOME LOAN BANK	04/27/2020	10/28/2016	1.30000	1.30000	10,000,000.00	10,000,000.00
INTER AMERICAN DEV	05/12/2020	12/18/2019	1.62500	1.71535	6,685,000.00	6,693,626.86
FEDERAL HOME LOAN BANK	05/28/2020	05/21/2018	2.62500	2.62892	15,000,000.00	14,999,759.36
FEDERAL FARM CREDIT BANK	06/01/2020	12/01/2016	1.65000	1.65000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.57240	10,000,000.00	9,999,038.19
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.56989	10,000,000.00	9,999,145.91
CDC NOTE 2019 SERIES	06/15/2020	06/15/2019	2.30000	2.30000	2,520,000.00	2,520,000.00
AIRPORT NOTE 2020-1	06/15/2020	07/01/2019	3.10000	3.10000	1,000,000.00	1,000,000.00
AIRPORT NOTE 2020-2	06/15/2020	07/01/2019	3.10000	3.10000	1,500,000.00	1,500,000.00
FEDERAL FARM CREDIT BANK	06/24/2020	12/24/2018	2.75000	2.73904	5,000,000.00	5,000,255.47
SONOMA COUNTY WATER	07/01/2020	10/29/2015	1.75000	1.65038	225,000.00	225,107.23
FHLMC	07/13/2020	11/08/2018	1.85000	2.97409	20,000,000.00	19,884,106.37
INTL FINANCE CORP	07/16/2020	11/14/2019	1.62600	1.68944	20,000,000.00	20,099,678.22
SCEIP 2009E-10	09/02/2020	11/02/2009	3.00000	3.00000	7,690.90	7,690.90
SCEIP 2009F-10	09/02/2020	12/01/2009	3.00000	3.00000	10,118.62	10,118.62
SCEIP 2010A-10	09/02/2020	01/04/2010	3.00000	3.00000	8,143.39	8,143.39
SCEIP 2010B-10	09/02/2020	02/01/2010	3.00000	3.00000	6,760.02	6,760.02
SCEIP 2010C-10	09/02/2020	03/01/2010	3.00000	3.00000	21,051.39	21,051.39
SCEIP 2010D-10	09/02/2020	04/01/2010	3.00000	3.00000	4,533.60	4,533.60
SCEIP 2010E-10	09/02/2020	05/03/2010	3.00000	3.00000	6,100.66	6,100.66
SCEIP 2010F-10	09/02/2020	06/01/2010	3.00000	3.00000	24,466.72	24,466.72
SCEIP 2010G-10	09/02/2020	06/30/2010	3.00000	3.00000	23,865.37	23,865.37
SCEIP 2010H-10	09/02/2020	08/02/2010	3.00000	3.00000	8,975.10	8,975.10
SCEIP 2010I-10	09/02/2020	09/01/2010	3.00000	3.00000	2,600.66	2,600.66
FEDERAL HOME LOAN BANK	09/11/2020	12/10/2019	2.87500	1.62504	8,865,000.00	9,003,882.06
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	17,000,000.00	17,000,000.00
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	3,000,000.00	3,000,000.00
FEDERAL NATL MTG ASSN	10/30/2020	10/30/2017	1.80000	1.80000	5,000,000.00	5,000,000.00
INTER AMERICAN DEV	11/09/2020	10/17/2019	2.12500	1.78624	10,000,000.00	10,028,483.80
INTER AMERICAN DEV	11/09/2020	12/18/2019	2.12500	1.71669	1,400,000.00	1,408,033.74
FEDERAL FARM CREDIT BANK	12/07/2020	12/07/2016	1.77000	1.77000	20,000,000.00	20,000,000.00
FHLMC	12/18/2020	12/18/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	12/30/2020	09/30/2019	1.96000	1.96000	20,000,000.00	20,000,000.00
FHLMC	01/29/2021	01/29/2019	2.65000	2.65000	10,000,000.00	10,000,000.00
FHLMC	02/16/2021	12/30/2019	2.37500	1.64541	2,507,000.00	2,549,396.13
FEDERAL FARM CREDIT BANK	03/02/2021	12/10/2019	1.67000	1.67000	11,000,000.00	11,004,082.22
INTL FINANCE CORP	03/09/2021	11/07/2019	2.63500	1.78226	3,015,000.00	3,057,815.19
FEDERAL FARM CREDIT BANK	03/12/2021	06/13/2017	1.80000	1.83217	13,000,000.00	12,995,235.23
FEDERAL FARM CREDIT BANK	04/12/2021	04/12/2016	1.62000	1.62000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	04/13/2021	04/13/2018	2.50000	2.55993	15,000,000.00	14,988,983.20
FEDERAL HOME LOAN BANK	04/26/2021	04/26/2016	1.70000	1.70000	7,250,000.00	7,250,000.00
UNIV CALIFORNIA	05/15/2021	11/13/2019	1.91000	1.81934	3,710,000.00	3,714,527.68
INTL BANK RECON & DEV	05/24/2021	12/26/2019	1.37600	1.70918	16,972,000.00	16,915,093.78

# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL FARM CREDIT BANK	06/02/2021	06/02/2016	1.69000	1.69000	10,000,000.00	10,000,000.00
FHLMC	06/09/2021	06/09/2016	1.75000	1.75000	5,500,000.00	5,500,000.00
FEDERAL HOME LOAN BANK	06/11/2021	12/13/2019	2.25000	1.69740	4,310,000.00	4,344,318.10
FEDERAL HOME LOAN BANK	06/11/2021	12/30/2019	5.62500	1.65570	1,035,000.00	1,096,349.69
FEDERAL NATL MTG ASSN	06/22/2021	06/25/2018	2.75000	2.75812	20,000,000.00	19,997,735.80
FEDERAL NATL MTG ASSN	06/22/2021	12/30/2019	2.75000	1.65486	5,150,000.00	5,234,831.56
FEDERAL FARM CREDIT BANK	06/24/2021	06/24/2019	2.10000	2.10000	20,000,000.00	20,000,000.00
INTL BANK RECON & DEV	06/24/2021	11/07/2019	2.25000	1.71669	8,724,000.00	8,791,536.96
INTL BANK RECON & DEV	07/23/2021	11/18/2019	2.75000	1.71320	10,000,000.00	10,245,040.28
INTL BANK RECON & DEV	07/23/2021	12/20/2019	2.75000	1.70702	9,683,000.00	9,946,305.03
FEDERAL HOME LOAN BANK	09/01/2021	09/01/2016	1.55000	1.55522	15,000,000.00	14,998,749.29
SCEIP 2010J-10	09/02/2021	10/01/2010	3.00000	3.00000	4,218.00	4,218.00
SCEIP 2010L-10	09/02/2021	12/01/2010	3.00000	3.00000	38,746.22	38,746.22
SCEIP 2011A-10	09/02/2021	01/03/2011	3.00000	3.00000	2,955.70	2,955.70
SCEIP 2011C-10	09/02/2021	03/01/2011	3.00000	3.00000	11,851.37	11,851.37
SCEIP 2011D-10	09/02/2021	04/01/2011	3.00000	3.00000	70,532.24	70,532.24
SCEIP 2011E-10	09/02/2021	05/02/2011	3.00000	3.00000	7,263.09	7,263.09
SCEIP 2011F-10	09/02/2021	06/01/2011	3.00000	3.00000	4,402.13	4,402.13
SCEIP 2011G-10	09/02/2021	06/30/2011	3.00000	3.00000	3,254.27	3,254.27
SCEIP 2011H-10	09/02/2021	08/01/2011	3.00000	3.00000	14,162.58	14,162.58
FEDERAL HOME LOAN BANK	09/10/2021	12/13/2019	2.37500	1.68161	3,200,000.00	3,256,391.23
FEDERAL FARM CREDIT BANK	09/20/2021	12/20/2019	1.65000	1.67903	15,000,000.00	14,992,787.81
FEDERAL FARM CREDIT BANK	09/20/2021	12/30/2019	2.85000	1.64527	1,000,000.00	1,028,212.04
FEDERAL HOME LOAN BANK	10/06/2021	10/06/2016	1.54000	1.54000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	10/07/2021	12/30/2019	1.95000	1.64487	1,250,000.00	1,262,211.85
FHLMC	10/08/2021	10/08/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
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	02/14/2022	11/14/2019	1.77000	1.83426	20,000,000.00	19,973,633.05
CALIFORNIA STATE	04/01/2022	11/18/2019	2.35000	1.80825	3,680,000.00	3,734,950.56
FHLMC	04/08/2022	04/08/2019	2.50000	2.50000	20,000,000.00	20,000,000.00
FHLMC	04/22/2022	04/22/2019	2.50000	2.50000	14,175,000.00	14,175,000.00
FHLMC	04/29/2022	08/13/2019	2.20000	2.20000	8,000,000.00	8,006,844.44
FHLMC	05/12/2022	11/12/2019	1.90000	1.90000	33,650,000.00	33,650,000.00
FEDERAL FARM CREDIT BANK	06/13/2022	12/13/2019	1.74000	1.77080	20,000,000.00	19,985,312.16
FEDERAL FARM CREDIT BANK	07/01/2022	07/01/2019	1.75000	1.80021	15,000,000.00	14,981,776.62
FEDERAL FARM CREDIT BANK	07/01/2022	07/01/2019	2.09000	2.09000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	07/22/2022	07/22/2019	2.11000	2.11000	20,000,000.00	20,000,000.00
FHLMC	08/26/2022	02/26/2019	2.75000	2.75000	10,000,000.00	10,000,000.00
FHLMC	08/26/2022	11/26/2019	1.80000	1.80000	10,000,000.00	10,000,000.00
SCEIP 2011J-10	09/02/2022	10/03/2011	3.00000	3.00000	1,832.53	1,832.53
SCEIP 2011K-10	09/02/2022	11/01/2011	3.00000	3.00000	20,564.02	20,564.02
SCEIP 2012A-10	09/02/2022	01/03/2012	3.00000	3.00000	1,957.06	1,957.06
SCEIP 2012B-10	09/02/2022	02/01/2012	3.00000	3.00000	3,882.57	3,882.57
SCEIP 2012C-10	09/02/2022	03/01/2012	3.00000	3.00000	4,640.41	4,640.41
SCEIP 2012D-10	09/02/2022	04/02/2012	3.00000	3.00000	4,910.45	4,910.45
SCEIP 2012G-10	09/02/2022	06/29/2012	3.00000	3.00000	2,960.20	2,960.20
SCEIP 2012H-10	09/02/2022	08/01/2012	3.00000	3.00000	6,162.41	6,162.41
FEDERAL NATL MTG ASSN	09/13/2022	09/13/2019	2.05000	2.05000	10,000,000.00	10,000,000.00
FHLMC	09/16/2022	12/16/2019	1.80000	1.81910	8,725,000.00	8,720,706.95
INTL BANK RECON & DEV	09/19/2022	09/19/2019	2.08000	2.08000	10,000,000.00	10,000,000.00
INTL BANK RECON & DEV	09/23/2022	09/27/2019	2.20000	2.19474	10,000,000.00	10,003,812.58
FEDERAL NATL MTG ASSN	10/13/2022	10/31/2017	2.20000	2.21597	20,000,000.00	19,991,570.76
FHLMC	10/14/2022	10/15/2019	1.92000	1.92000	10,000,000.00	10,000,000.00
FHLMC	10/17/2022	10/17/2019	1.90000	1.90000	11,500,000.00	11,500,000.00
FHLMC	10/17/2022	10/17/2019	1.90000	1.90000	8,500,000.00	8,500,000.00

# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY

## AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FHLMC	10/21/2022	10/21/2019	2.12500	2.12500	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	11/04/2022	12/11/2019	1.80000	1.77488	17,340,000.00	17,383,976.30
FEDERAL HOME LOAN BANK	12/23/2022	12/23/2019	1.85000	1.86377	15,000,000.00	14,994,049.27
FEDERAL FARM CREDIT BANK	04/17/2023	04/17/2019	2.67000	2.67000	10,000,000.00	10,000,000.00
FHLMC	06/16/2023	12/16/2019	1.80000	1.82370	17,690,000.00	17,676,025.18
FEDERAL FARM CREDIT BANK	06/19/2023	06/19/2019	2.40000	2.40000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/19/2023	06/19/2019	2.40000	2.40000	15,000,000.00	15,000,000.00
FHLMC	06/23/2023	12/23/2019	1.87500	1.87500	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	07/10/2023	10/10/2019	2.07000	2.07000	20,000,000.00	20,000,000.00
FHLMC	07/28/2023	10/28/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
FHLMC	08/10/2023	11/08/2019	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	08/15/2023	08/15/2019	2.18000	2.18000	20,000,000.00	20,000,000.00
FHLMC	08/28/2023	11/27/2019	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	08/28/2023	09/10/2019	1.92000	1.92519	10,000,000.00	10,004,556.09
SCEIP 2012J-10	09/02/2023	11/01/2012	3.00000	3.00000	31,539.19	31,539.19
SCEIP 2012K-10	09/02/2023	12/03/2012	3.00000	3.00000	1,990.00	1,990.00
SCEIP 2013A-10	09/02/2023	01/02/2013	3.00000	3.00000	5,044.35	5,044.35
SCEIP 2013C-10	09/02/2023	03/01/2013	3.00000	3.00000	12,015.81	12,015.81
SCEIP 2013E-10	09/02/2023	05/01/2013	3.00000	3.00000	5,046.95	5,046.95
SCEIP 2013H-10	09/02/2023	08/01/2013	3.00000	3.00000	10,435.00	10,435.00
SCEIP 2013I-10	09/02/2023	09/03/2013	3.00000	3.00000	17,167.63	17,167.63
FEDERAL FARM CREDIT BANK	09/11/2023	09/11/2019	1.90000	1.90000	20,000,000.00	20,000,000.00
FEDERAL NATL MTG ASSN	09/12/2023	09/13/2019	2.12500	2.15123	10,000,000.00	9,991,343.71
FEDERAL FARM CREDIT BANK	11/27/2023	11/27/2019	1.95000	1.95000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	11/29/2023	09/05/2019	2.15000	2.16398	25,175,000.00	25,162,210.58
FHLMC	12/06/2023	12/06/2019	1.93000	1.93261	25,000,000.00	24,997,544.49
FHLMC	12/18/2023	12/18/2019	1.75000	1.75000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	02/21/2024	08/29/2019	2.17000	2.18172	3,300,000.00	3,300,067.34
FEDERAL FARM CREDIT BANK	02/26/2024	12/12/2019	1.90000	1.94248	15,000,000.00	14,987,498.49
FHLMC	03/26/2024	12/30/2019	2.00000	2.00000	21,200,000.00	21,200,000.00
FEDERAL FARM CREDIT BANK	04/02/2024	10/09/2019	2.12000	2.11407	11,959,000.00	11,966,766.10
FHLMC	04/15/2024	04/15/2019	2.65000	2.65000	15,000,000.00	15,000,000.00
FHLMC	05/10/2024	11/08/2019	2.00000	2.01515	9,000,000.00	8,994,342.03
FEDERAL FARM CREDIT BANK	05/13/2024	09/06/2019	2.22000	2.22810	10,542,000.00	10,538,562.60
FHLMC	05/15/2024	05/15/2019	2.65000	2.65000	15,000,000.00	15,000,000.00
FHLMC	05/24/2024	05/24/2019	2.75000	2.75000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	07/08/2024	07/08/2019	2.23000	2.23000	15,000,000.00	15,000,000.00
FHLMC	07/15/2024	07/15/2019	2.30000	2.30000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	07/23/2024	07/23/2019	2.43000	2.43000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	08/12/2024	08/12/2019	2.12000	2.12000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	08/13/2024	08/13/2019	2.23000	2.23744	10,000,000.00	9,996,770.12
FEDERAL FARM CREDIT BANK	08/13/2024	09/03/2019	2.23000	2.23202	2,160,000.00	2,162,474.36
FEDERAL HOME LOAN BANK	08/19/2024	08/19/2019	2.23000	2.23000	20,000,000.00	20,000,000.00
FHLMC	08/26/2024	08/26/2019	2.00000	2.00000	10,000,000.00	10,000,000.00
FHLMC	08/26/2024	08/26/2019	2.19000	2.19000	25,000,000.00	25,000,000.00
INTL BANK RECON & DEV	08/28/2024	08/29/2019	2.20000	2.20000	20,000,000.00	20,001,222.22
SCEIP 2013J-10	09/02/2024	10/01/2013	3.00000	3.00000	65,882.27	65,882.27
SCEIP 2013L-10	09/02/2024	12/02/2013	3.00000	3.00000	15,350.34	15,350.34
SCEIP 2014B-10	09/02/2024	02/03/2014	3.00000	3.00000	10,707.05	10,707.05
SCEIP 2014C-10	09/02/2024	03/03/2014	3.00000	3.00000	29,272.53	29,272.53
SCEIP 2014D-10	09/02/2024	04/01/2014	3.00000	3.00000	4,100.80	4,100.80
SCEIP 2014F-10	09/02/2024	06/02/2014	3.00000	3.00000	2,140.53	2,140.53
SCEIP 2014H-10	09/02/2024	08/01/2014	3.00000	3.00000	27,228.71	27,228.71
SCEIP 2014I-10	09/02/2024	09/02/2014	3.00000	3.00000	3,577.84	3,577.84
FHLMC	09/12/2024	09/26/2019	2.12500	2.13409	10,000,000.00	10,004,193.94



# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL FARM CREDIT BANK	09/16/2024	09/20/2019	1.96000	2.05534	10,000,000.00	9,959,720.29
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	09/23/2024	10/01/2019	2.20000	2.20421	10,000,000.00	10,002,990.04
FEDERAL HOME LOAN BANK	09/26/2024	11/26/2019	2.05000	2.05000	20,000,000.00	20,000,000.00
FHLMC	10/09/2024	10/09/2019	2.10000	2.10000	13,055,000.00	13,055,000.00
FEDERAL HOME LOAN BANK	10/09/2024	10/11/2019	2.10000	2.10847	11,500,000.00	11,496,948.36
FHLMC	10/21/2024	10/21/2019	2.12500	2.12500	12,650,000.00	12,650,000.00
FHLMC	10/28/2024	10/28/2019	3.25000	3.25000	25,000,000.00	25,000,000.00
INTL BANK RECON & DEV	10/30/2024	10/30/2019	2.30000	2.30000	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	9,980,536.39
FEDERAL HOME LOAN BANK	11/19/2024	11/19/2019	2.20000	2.20000	20,000,000.00	20,000,000.00
FHLMC	11/27/2024	12/06/2019	2.00000	2.00846	7,000,000.00	6,999,962.26
FHLMC	11/27/2024	12/06/2019	2.00000	2.01268	18,325,000.00	18,323,324.74
INTL FINANCE CORP	12/15/2024	12/16/2019	1.62500	1.64591	10,000,000.00	9,991,441.79
FHLMC	12/30/2024	12/30/2019	2.10000	2.10000	20,000,000.00	20,000,000.00
SCEIP 2014J-10	09/02/2025	10/01/2014	3.00000	3.00000	3,614.83	3,614.83
SCEIP 2014K-10	09/02/2025	11/03/2014	3.00000	3.00000	14,539.98	14,539.98
SCEIP 2014L-10	09/02/2025	12/01/2014	3.00000	3.00000	18,500.72	18,500.72
SCEIP 2015A-10	09/02/2025	01/05/2015	3.00000	3.00000	21,146.61	21,146.61
SCEIP 2015C-10	09/02/2025	03/02/2015	3.00000	3.00000	2,744.51	2,744.51
SCEIP 2015F-10	09/02/2025	06/01/2015	3.00000	3.00000	7,778.27	7,778.27
SCEIP 2015H-10	09/02/2025	08/03/2015	3.00000	3.00000	15,260.78	15,260.78
SCEIP 2015I-10	09/02/2025	09/02/2015	3.00000	3.00000	12,541.19	12,541.19
SCEIP 2015J-10	09/02/2026	10/01/2015	3.00000	3.00000	16,356.64	16,356.64
SCEIP 2015K-10	09/02/2026	11/02/2015	3.00000	3.00000	51,384.59	51,384.59
SCEIP 2015L-10	09/02/2026	12/01/2015	3.00000	3.00000	32,403.30	32,403.30
SCEIP 2016B-10	09/02/2026	02/01/2016	3.00000	3.00000	12,798.46	12,798.46
SCEIP 2016D-10	09/02/2026	04/01/2016	3.00000	3.00000	15,868.64	15,868.64
SCEIP 2016G-10	09/02/2026	06/30/2016	3.00000	3.00000	199,260.09	199,260.09
SCEIP 2016H-10	09/02/2026	08/01/2016	3.00000	3.00000	2,164.43	2,164.43
SCEIP 2016I-10	09/02/2026	09/02/2016	3.00000	3.00000	50,173.35	50,173.35
SCEIP 2016K-10	09/02/2027	11/01/2016	3.00000	3.00000	72,840.83	72,840.83
SCEIP 2016L-10	09/02/2027	12/01/2016	3.00000	3.00000	19,067.90	19,067.90
SCEIP 2017A-10	09/02/2027	01/03/2017	3.00000	3.00000	17,161.74	17,161.74
SCEIP 2017B-10	09/02/2027	02/01/2017	3.00000	3.00000	51,032.20	51,032.20
SCEIP 2017F-10	09/02/2027	06/01/2017	3.00000	3.00000	9,074.06	9,074.06
SCEIP 2017I-10	09/02/2027	09/05/2017	3.00000	3.00000	8,509.55	8,509.55
SCEIP 2017J-10	09/02/2028	10/02/2017	3.00000	3.00000	116,528.04	116,528.04
SCEIP 2017L-10	09/02/2028	12/01/2017	3.00000	3.00000	88,318.57	88,318.57
SCEIP 2018C-10	09/02/2028	03/02/2018	3.00000	3.00000	14,163.94	14,163.94
SCEIP 2018D-10	09/02/2028	04/02/2018	3.00000	3.00000	47,205.25	47,205.25
SCEIP 2018F-10	09/02/2028	06/01/2018	3.00000	3.00000	17,365.81	17,365.81
SCEIP 2018G-10	09/02/2028	06/29/2018	3.00000	3.00000	63,020.57	63,020.57
SCEIP 2018H-10	09/02/2028	08/01/2018	3.00000	3.00000	11,293.23	11,293.23
SCEIP 2009B-20	09/02/2029	06/01/2009	3.00000	3.00000	62,804.02	62,804.02
SCEIP 2009C-20	09/02/2029	07/01/2009	3.00000	3.00000	40,984.08	40,984.08
SCEIP 2009D-20	09/02/2029	08/03/2009	3.00000	3.00000	197,535.65	197,535.65
SCEIP 2009E-20	09/02/2029	09/01/2009	3.00000	3.00000	1,910,537.43	1,910,537.43
SCEIP 2009F-20	09/02/2029	10/01/2009	3.00000	3.00000	584,621.75	584,621.75
SCEIP 2018J-10	09/02/2029	10/01/2018	3.00000	3.00000	147,607.73	147,607.73
SCEIP 2018K-10	09/02/2029	11/01/2018	3.00000	3.00000	71,567.07	71,567.07
SCEIP 2018L-10	09/02/2029	12/03/2018	3.00000	3.00000	10,141.38	10,141.38
SCEIP 2019B-10	09/02/2029	02/01/2019	3.00000	3.00000	38,256.27	38,256.27
SCEIP 2019C-10	09/02/2029	03/01/2019	3.00000	3.00000	11,378.22	11,378.22
SCEIP 2019D-10	09/02/2029	04/02/2019	3.00000	3.00000	51,613.74	51,613.74

# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
SCEIP 2019E-10	09/02/2029	05/01/2019	3.00000	3.00000	72,685.83	72,685.83
SCEIP 2019F-10	09/02/2029	06/03/2019	3.00000	3.00000	16,017.48	16,017.48
SCEIP 2019G-10	09/02/2029	06/28/2019	3.00000	3.00000	43,514.86	43,514.86
SCEIP 2019H-10	09/02/2029	08/01/2019	3.00000	3.00000	37,110.35	37,110.35
SCEIP 2019I-10	09/02/2029	09/02/2019	3.00000	3.00000	16,650.00	16,650.00
SCEIP 2019J-10	09/02/2029	10/01/2019	3.00000	3.00000	30,586.55	30,586.55
SCEIP 2009G-20	09/02/2030	11/02/2009	3.00000	3.00000	245,018.70	245,018.70
SCEIP 2009H-20	09/02/2030	12/01/2009	3.00000	3.00000	1,112,886.67	1,112,886.67
SCEIP 2010A-20	09/02/2030	01/04/2010	3.00000	3.00000	828,536.04	828,536.04
SCEIP 2010B-20	09/02/2030	02/01/2010	3.00000	3.00000	735,517.57	735,517.57
SCEIP 2010C-20	09/02/2030	03/01/2010	3.00000	3.00000	519,679.08	519,679.08
SCEIP 2010D-20	09/02/2030	04/01/2010	3.00000	3.00000	463,781.54	463,781.54
SCEIP 2010E-20	09/02/2030	05/03/2010	3.00000	3.00000	345,440.34	345,440.34
SCEIP 2010F-20	09/02/2030	06/01/2010	3.00000	3.00000	701,848.24	701,848.24
SCEIP 2010G-20	09/02/2030	06/30/2010	3.00000	3.00000	457,296.67	457,296.67
SCEIP 2010H-20	09/02/2030	08/02/2010	3.00000	3.00000	264,018.56	264,018.56
SCEIP 2010I-20	09/02/2030	09/01/2010	3.00000	3.00000	574,858.30	574,858.30
SCEIP 2010J-20	09/02/2031	10/01/2010	3.00000	3.00000	272,354.70	272,354.70
SCEIP 2010K-20	09/02/2031	11/01/2010	3.00000	3.00000	281,970.76	281,970.76
SCEIP 2010L-20	09/02/2031	12/01/2010	3.00000	3.00000	371,517.12	371,517.12
SCEIP 2011A-20	09/02/2031	01/03/2011	3.00000	3.00000	250,556.28	250,556.28
SCEIP 2011B-20	09/02/2031	02/01/2011	3.00000	3.00000	402,451.06	402,451.06
SCEIP 2011C-20	09/02/2031	03/01/2011	3.00000	3.00000	182,858.00	182,858.00
SCEIP 2011D-20	09/02/2031	04/01/2011	3.00000	3.00000	267,334.71	267,334.71
SCEIP 2011E-20	09/02/2031	05/02/2011	3.00000	3.00000	257,095.10	257,095.10
SCEIP 2011F-20	09/02/2031	06/01/2011	3.00000	3.00000	219,943.21	219,943.21
SCEIP 2011G-20	09/02/2031	06/30/2011	3.00000	3.00000	431,520.10	431,520.10
SCEIP 2014F-20	09/02/2034	06/02/2014	3.00000	3.00000	70,319.09	70,319.09
SCEIP 2014G-20	09/02/2034	06/30/2014	3.00000	3.00000	178,765.67	178,765.67
SCEIP 2014H-20	09/02/2034	08/01/2014	3.00000	3.00000	104,551.99	104,551.99
SCEIP 2014I-20	09/02/2034	09/02/2014	3.00000	3.00000	85,489.68	85,489.68
SCEIP 2014J-20	09/02/2035	10/01/2014	3.00000	3.00000	127,790.30	127,790.30
SCEIP 2014K-20	09/02/2035	11/03/2014	3.00000	3.00000	70,585.60	70,585.60
SCEIP 2014L-20	09/02/2035	12/01/2014	3.00000	3.00000	71,708.59	71,708.59
SCEIP 2015A-20	09/02/2035	01/05/2015	3.00000	3.00000	145,194.23	145,194.23
SCEIP 2015B-20	09/02/2035	02/02/2015	3.00000	3.00000	75,343.12	75,343.12
SCEIP 2015C-20	09/02/2035	03/02/2015	3.00000	3.00000	154,441.18	154,441.18
SCEIP 2015D-20	09/02/2035	04/01/2015	3.00000	3.00000	66,538.08	66,538.08
SCEIP 2015E-20	09/02/2035	05/01/2015	3.00000	3.00000	48,119.62	48,119.62
SCEIP 2015F-20	09/02/2035	06/01/2015	3.00000	3.00000	33,805.25	33,805.25
<b>SUBTOTAL OTHER GOVERNMENTS</b>		<b>60.19%</b>			<b>1,668,971,966.32</b>	<b>1,669,919,857.78</b>
UBS	02/14/2020	06/19/2019	2.20000	2.20000	30,000,000.00	30,000,000.00
BANK OF MONTREAL	02/25/2020	10/11/2019	1.88000	1.88000	24,000,000.00	24,000,000.00
TORONTO DOMINION	03/25/2020	09/25/2019	2.00000	2.00000	25,000,000.00	25,000,000.00
SOCIETE GENERALE	04/17/2020	04/17/2019	2.69000	2.69000	25,000,000.00	25,000,000.00
TORONTO DOMINION	04/28/2020	09/27/2019	2.05000	2.05000	20,000,000.00	20,000,000.00
TORONTO DOMINION	05/18/2020	09/18/2019	2.03000	2.03000	10,000,000.00	10,000,000.00
TORONTO DOMINION	05/26/2020	09/24/2019	2.04000	2.04000	10,000,000.00	10,000,000.00
NORDEA BANK NY	05/27/2020	10/15/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
BANK OF MONTREAL	06/12/2020	09/13/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
TORONTO DOMINION	06/29/2020	06/27/2019	2.07000	2.07000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/02/2020	11/05/2019	1.88000	1.88000	20,000,000.00	20,000,000.00
CANADIAN IMPERIAL BANK	07/06/2020	10/17/2019	1.88000	1.88000	20,000,000.00	20,000,000.00

# SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY AS OF DECEMBER 31, 2019



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
NORDEA BANK NY	07/06/2020	10/28/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
TORONTO DOMINION	07/21/2020	10/23/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
SEB BANK NY	07/29/2020	11/05/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/30/2020	11/12/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
MUFG BANK NY	07/31/2020	10/25/2019	1.93000	1.93000	25,000,000.00	25,000,000.00
SOCIETE GENERALE	07/31/2020	11/08/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
SEB BANK NY	08/03/2020	11/12/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
NORDEA BANK NY	08/18/2020	11/13/2019	1.83000	1.83000	25,000,000.00	25,000,000.00
SEB BANK NY	08/25/2020	11/26/2019	1.86000	1.86000	30,000,000.00	30,000,000.00
<b>SUBTOTAL NEGOTIABLE CERTIFICATES OF DEPOSIT</b>		<b>15.82%</b>			<b>439,000,000.00</b>	<b>439,000,000.00</b>
TOYOTA	03/12/2020	04/02/2019	2.15000	2.58287	10,000,000.00	9,991,726.95
TOYOTA	03/12/2020	04/02/2019	2.15000	2.58287	10,000,000.00	9,991,726.95
TOYOTA	04/17/2020	03/28/2018	1.95000	2.77508	10,000,000.00	9,976,690.82
WELLS FARGO CO MTN	04/29/2020	06/27/2019	1.93475	1.97155	15,000,000.00	14,998,546.42
CITIBANK	06/12/2020	11/29/2018	2.10000	3.38645	6,746,000.00	6,708,552.89
CITIBANK	06/12/2020	11/30/2018	2.10000	3.37751	8,000,000.00	7,955,896.85
CITIBANK	06/12/2020	03/06/2019	2.10000	2.87734	10,165,000.00	10,130,647.99
HSBC BANK NA	08/07/2020	10/24/2019	2.75000	1.88789	9,000,000.00	9,098,653.75
AMAZON.COM	08/21/2020	12/05/2019	1.90000	1.71814	15,545,000.00	15,648,016.78
MICROSOFT CORP	10/01/2020	12/02/2019	3.00000	1.71353	23,687,000.00	24,032,645.80
BERKSHIRE HATHAWAY	10/15/2020	12/04/2019	2.90000	1.71226	10,000,000.00	10,131,796.27
VISA INC	12/14/2020	11/05/2019	2.20000	1.75365	25,000,000.00	25,104,614.81
WELLS FARGO CO MTN	01/15/2021	11/29/2018	2.60000	3.48399	12,953,000.00	12,839,120.16
WELLS FARGO CO MTN	01/15/2021	03/20/2019	2.60000	2.81794	10,195,000.00	10,172,580.18
IBM	02/05/2021	03/28/2018	2.65000	2.85032	10,000,000.00	9,979,009.86
APPLE	02/23/2021	05/15/2019	2.25000	2.39222	15,000,000.00	14,976,117.00
CISCO SYSTEMS	02/28/2021	11/08/2018	2.20000	3.23509	15,000,000.00	14,827,684.01
TOYOTA	04/08/2021	06/13/2019	1.90000	2.23825	10,000,000.00	9,958,155.93
TOYOTA	04/13/2021	11/26/2018	2.95000	3.18422	12,166,000.00	12,130,946.80
TOYOTA	04/13/2021	04/16/2019	2.95000	2.58912	5,200,000.00	5,223,266.30
TOYOTA	04/13/2021	09/30/2019	2.95000	1.89392	2,500,000.00	2,533,181.28
JOHNSON & JOHNSON	05/15/2021	11/18/2019	3.55000	1.70964	5,000,000.00	5,125,514.09
TOYOTA	05/17/2021	09/30/2019	2.75000	1.87405	6,324,000.00	6,398,644.24
PFIZER INC	06/03/2021	09/12/2019	1.95000	1.85703	10,856,000.00	10,869,951.50
MICROSOFT CORP	08/08/2021	12/06/2019	1.55000	1.66219	7,890,000.00	7,916,110.21
ORACLE CORP	09/15/2021	08/23/2019	1.90000	1.90746	15,000,000.00	14,997,645.16
PROCTOR AND GAMBLE	11/03/2021	01/07/2019	1.70000	2.72705	10,331,000.00	10,144,274.83
MICROSOFT CORP	02/06/2022	12/24/2019	2.40000	1.77347	20,000,000.00	20,440,326.45
TOYOTA	04/12/2022	04/12/2019	2.65000	2.58099	15,000,000.00	15,022,545.99
ORACLE CORP	05/15/2022	03/29/2019	2.50000	2.48246	10,000,000.00	10,003,859.57
ORACLE CORP	10/15/2022	08/29/2019	2.50000	1.89395	10,000,000.00	10,163,075.94
MICROSOFT CORP	11/03/2022	11/12/2019	2.65000	1.87091	17,340,000.00	17,722,699.03
TOYOTA	01/10/2023	12/12/2018	2.62500	3.57590	13,000,000.00	12,654,854.37
BERKSHIRE HATHAWAY	03/15/2023	01/11/2019	2.75000	3.23797	12,315,000.00	12,135,991.67
APPLE	05/03/2023	04/12/2019	2.40000	2.64691	7,435,000.00	7,377,255.32
MICROSOFT CORP	08/08/2023	12/06/2018	2.00000	3.26921	8,000,000.00	7,663,310.67
<b>SUBTOTAL CORPORATE NOTES AND BONDS</b>		<b>14.96%</b>			<b>414,648,000.00</b>	<b>415,045,636.84</b>
CAMP	01/01/2020	07/08/2002	1.79938	1.79938	156,088,986.51	156,088,986.51
CAL TRUST MMF	01/01/2020	08/28/2009	1.52114	1.52114	15,074,688.03	15,074,688.03
<b>SUBTOTAL MONEY MARKET MUTUAL FUNDS</b>		<b>6.17%</b>			<b>171,163,674.54</b>	<b>171,163,674.54</b>

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY  
AS OF DECEMBER 31, 2019**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
LOCAL AGENCY INVESTMENT FUND	01/01/2020	11/04/2002	2.29000	2.29000	0.00	0.00
<b>SUBTOTAL GOVERNMENT POOLS AND JPA'S</b>		<b>0.00%</b>			<b>0.00</b>	<b>0.00</b>
<b>CASH IN BANK</b>		<b>0.30%</b>			<b>8,459,739.03</b>	<b>8,459,739.03</b>
<b>CHECK AND WARRANTS IN TRANSIT</b>		<b>0.23%</b>			<b>6,485,198.30</b>	<b>6,485,198.30</b>
<b>CASH IN VAULT</b>		<b>0.00%</b>			<b>71,813.44</b>	<b>71,813.44</b>
<b>GRAND TOTAL</b>		<b>100%</b>			<b>2,772,800,391.63</b>	<b>2,774,533,225.04</b>