

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Refunding Bonds is included in gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

\$20,200,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
General Obligation Bonds, 2018 Election, Series B

\$6,795,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
2020 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The Huene me Elementary School District (Ventura County, California) General Obligation Bonds, 2018 Election, Series B (the "Series B Bonds"), were authorized at an election of the registered voters of the Huene me Elementary School District (the "District") held on June 5, 2018, at which more than the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of \$34,200,000 aggregate principal amount of general obligation bonds of the District. The Series B Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Series B Bonds, and to pay certain costs of issuing the Series B Bonds.

The Huene me Elementary School District (Ventura County, California) 2020 General Obligation Refunding Bonds (Federally Taxable) (the "Refunding Bonds," and together with the Series B Bonds, the "Bonds") are being issued to (i) advance refund a portion of the District's outstanding General Obligation Bonds, 2012 Election, Series A and General Obligation Bonds, 2012 Election, Series B, and (ii) pay certain costs of issuing the Refunding Bonds.

Each of the Series B Bonds and the Refunding Bonds (each, a "Series") represents a general obligation of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Ventura County (the "County") is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District without limitation of rate or amount (except as to certain personal property which is taxable at limited rates).

The Bonds of each Series 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 (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Bonds of each Series accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2021. Payment to owners of \$1,000,000 or more in principal amount of Bonds of a Series, at the owner's option, will be made by wire transfer. The Bonds of each Series are issuable as fully registered Bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by MUFG Union Bank, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS – Book-Entry Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.



The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein.

MATURITY SCHEDULE
(see inside front cover)

The Bonds of each Series are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about September 30, 2020.

STIFEL

MATURITY SCHEDULE

\$20,200,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
General Obligation Bonds, 2018 Election, Series B
Base CUSIP†: 444258
\$12,995,000 Serial Bonds

| <u>Maturity (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP†</u> |
|--------------------------------|-----------------------------|--------------------------|--------------|---------------|
| 2033 | \$780,000 | 4.000% | 1.480%‡ | HC4 |
| 2034 | 940,000 | 4.000 | 1.570‡ | HD2 |
| 2035 | 1,035,000 | 4.000 | 1.640‡ | HE0 |
| 2036 | 1,130,000 | 4.000 | 1.770‡ | HF7 |
| 2037 | 1,230,000 | 4.000 | 1.810‡ | HG5 |
| 2038 | 1,335,000 | 4.000 | 1.860‡ | HH3 |
| 2039 | 1,450,000 | 4.000 | 1.940‡ | HJ9 |
| 2040 | 1,570,000 | 4.000 | 1.980‡ | HK6 |
| 2041 | 1,695,000 | 4.000 | 2.010‡ | HZ3 |
| 2042 | 1,830,000 | 4.000 | 2.040‡ | JA6 |

\$7,205,000 2.500% Term Bonds due August 1, 2045 - Yield 2.630% - CUSIP†: HL4

\$6,795,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
2020 General Obligation Refunding Bonds
(Federally Taxable)
Base CUSIP†: 444258
\$1,490,000 Serial Bonds

| <u>Maturity (August 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP†</u> |
|--------------------------------|-----------------------------|--------------------------|--------------|---------------|
| 2021 | \$135,000 | 0.389% | 0.389% | HM2 |
| 2022 | 90,000 | 0.539 | 0.539 | HN0 |
| 2023 | 90,000 | 0.662 | 0.662 | HP5 |
| 2024 | 145,000 | 0.866 | 0.866 | HQ3 |
| 2025 | 155,000 | 1.016 | 1.016 | HR1 |
| 2026 | 165,000 | 1.302 | 1.302 | HS9 |
| 2027 | 165,000 | 1.452 | 1.452 | HT7 |
| 2028 | 175,000 | 1.716 | 1.716 | HU4 |
| 2029 | 180,000 | 1.816 | 1.816 | HV2 |
| 2030 | 190,000 | 1.916 | 1.916 | HW0 |

\$3,080,000 2.639% Term Bonds due August 1, 2037 - Yield 2.639% - CUSIP†: HX8

\$2,225,000 2.739% Term Bonds due August 1, 2039 - Yield 2.739% - CUSIP†: HY6

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

‡ Yield to call at par on August 1, 2028.

**HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)**

BOARD OF TRUSTEES

Darlene A. Bruno, *President*
Siugen Constanza, *Clerk*
Bexy I. Gomez, *Member*
Scott Swenson, *Member*
Charles Weis, Ph.D., *Member*

DISTRICT ADMINISTRATION

Christine Walker, Ed.D., *Superintendent*
Patricia Marshall, *Chief Business Official*

PROFESSIONAL SERVICES

BOND COUNSEL

Atkinson, Andelson, Loya, Ruud & Romo,
a Professional Law Corporation
Irvine, California

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

MUNICIPAL ADVISOR

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

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

PAYING AGENT/ESCROW AGENT

MUFG Union Bank, N.A.
Los Angeles, California

ESCROW VERIFICATION

Causey Demgen & Moore P.C.
Denver, Colorado

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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 in this Official Statement, 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.

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), has provided the following sentence for inclusion in this Official Statement:

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

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

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

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

\$20,200,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
General Obligation Bonds, 2018 Election, Series B

\$6,795,000
HUENEME ELEMENTARY SCHOOL DISTRICT
(Ventura County, California)
2020 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of the above-captioned Hueneme Elementary School District (Ventura County, California) General Obligation Bonds, 2018 Election, Series B (the “Series B Bonds”) and the Hueneme Elementary School District (Ventura County, California) 2020 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds,” and together with the Series B Bonds, the “Bonds”).

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

The District

The Hueneme Elementary School District (the “District”), located on the Pacific Coast of southern California, serves a large portion of the city of Port Hueneme, a small portion of the city of Oxnard, and adjacent unincorporated territory in Ventura County (the “County”). The District encompasses an area of approximately eight square miles and an estimated population of approximately 58,000 residents. The District is an elementary school district for students in grades K-8. The District currently operates 11 schools, including nine elementary schools and two junior high schools. District enrollment for the 2019-20 school year was 7,948 students. The District’s enrollment, student attendance and the assessed value of taxable property in fiscal year 2020-21 may be affected by the current COVID-19 outbreak. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected at large to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Christine Walker, Ed.D., is the Superintendent of the District and Patricia Marshall is the Chief Business Official. See “THE DISTRICT – Administration.”

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 and collected by the County on taxable property located within the boundaries of the District. The Board of Supervisors (the “Board of Supervisors”) of the County has the power 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). See “THE BONDS – Security and Sources of Payment.”

Purpose of Issue

The proceeds from the sale of the Series B Bonds will be used by the District to (i) finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, (ii) pay capitalized interest on the Series B Bonds, and (iii) pay certain costs of issuing the Series B Bonds.

The proceeds of the Refunding Bonds will be used by the District to (i) advance refund a portion of the District's outstanding General Obligation Bonds, 2012 Election, Series A and General Obligation Bonds, 2012 Election, Series B, and (ii) pay certain costs of issuing the Refunding Bonds.

See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Bonds

Form, Registration and Denomination. The Bonds will be issued in fully registered form only (without coupons), initially 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 inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." In the event that 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 Resolution described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of \$5,000 principal amount or any integral multiple thereof.

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption."

Payments. Interest on the Bonds accrues from their initial date of delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2021. Principal on the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by MUFG Union Bank, N.A., the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS – Book-Entry Only System."

Bond Insurance. Concurrently with issuance of the Bonds, AGM (as defined herein) will issue its Policy (as defined herein) for the Bonds. The Policy unconditionally guarantees the payment of the principal of and interest on the Bonds that has become due for payment but that is unpaid. See "THE BONDS – Bond Insurance" and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein.

In the event of a default in the payment of principal or interest on the Bonds, when all or some becomes due, any Owner of a Bond may have a claim under the Policy. The Policy would not insure against redemption premium, if any, with respect to the Bonds. In the event that AGM is unable to make payment of principal or interest on Bonds as such payments become due under the Policy, the Bonds will

be payable solely as otherwise described herein. In the event that AGM becomes obligated to make payments on the Bonds, no assurance can be given that such event would not adversely affect the market price of the Bonds or the marketability or liquidity of the Bonds.

None of the District, its municipal advisor, or the Underwriter has made any independent investigation into the claims-paying ability of AGM and no assurance or representation regarding such financial strength or projected financial strength is being made by such parties in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the County to levy and collect sufficient *ad valorem* property taxes to pay principal and interest on the Bonds, and the claims-paying ability of AGM through final maturity of the Bonds.

Tax Matters

Series B Bonds. In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel, interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See “TAX MATTERS – Series B Bonds.” herein. The form of the proposed opinion of Bond Counsel relating to the Series B Bonds is included with this Official Statement. See “APPENDIX B – PROPOSED FORMS OF OPINION OF BOND COUNSEL” attached hereto.

Refunding Bonds. In the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Refunding Bonds is included in gross income for federal income tax purposes under the Code. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from State personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See “TAX MATTERS – Refunding Bonds” herein. The form of the proposed opinion of Bond Counsel relating to the Refunding Bonds is included with this Official Statement. See “APPENDIX B – PROPOSED FORMS OF OPINION OF BOND COUNSEL” attached hereto.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to the Resolutions (as defined herein) adopted by the Board. See “THE BONDS – Authority for Issuance.”

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 30, 2020.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of events required to be provided are summarized in Appendix C. See “LEGAL MATTERS – Continuing Disclosure.”

Professionals Involved in the Offering

Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Disclosure Counsel to the District in connection with the Bonds. Atkinson, Andelson, Loya, Ruud & Romo and Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as municipal advisor to the District. MUFU Union Bank, N.A., Los Angeles, California is acting as Paying Agent with respect to the Bonds and Escrow Agent with respect to the Refunded Bonds. Kutak Rock LLP, Denver, Colorado is serving as Underwriter’s Counsel in connection with the sale and delivery of the Bonds. Causey Demgen & Moore P.C. will serve as verification agent (the “Verification Agent”) with respect to the Refunding Bonds and the Refunded Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Hueneme Elementary School District, 205 North Ventura Road, Port Hueneme, California 93041-3065. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall

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.

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the applicable Resolution (defined herein).

THE BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the “Act”), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution, and applicable provisions of the California Education Code and pursuant to a resolution adopted by the Board on August 24, 2020 (the “Series B Resolution”). The District received authorization at an election held on June 5, 2018, by 55% or more of the votes cast by eligible voters within the District to issue not to exceed \$34,200,000 aggregate principal amount of general obligation bonds (the “2018 Authorization”). The Series B Bonds are the second series of bonds issued under the 2018 Authorization and following the issuance thereof, \$2,000,000 of authorized general obligation bonds are expected to remain available under the 2018 Authorization.

The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and pursuant to a resolution adopted by the Board on August 24, 2020 (the “Refunding Bonds Resolution,” and together with the Series B Bonds Resolution, the “Resolutions”).

See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” for information concerning other outstanding general obligation bonds of the District.

Security and Sources of Payment

The Bonds of each Series are general obligations of the District, and payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District, subject to taxation by the District without limitation as to rate or

amount (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into separate debt service funds established pursuant to the Resolutions applicable to each of the Series B Bonds and the Refunding Bonds (together, the “Debt Service Funds”), which are segregated and held by the County and which are irrevocably pledged for the payment of principal of and interest on the applicable Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Funds, the Bonds are not a debt of the County. See “TAX BASE FOR REPAYMENT OF THE BONDS.”

Pursuant to California Government Code Section 53515, the Bonds of each Series will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

The moneys in the Debt Service Funds, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent which, in turn, shall remit such moneys to DTC to pay, as the case may be, the principal of and interest on the corresponding Series of Bonds. DTC will thereupon make payment of principal and interest of such Bonds to the DTC Participants who will thereupon make payments of principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the corresponding Series of Bonds.

The amount of the annual *ad valorem* tax rates 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 in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, pandemics or other outbreaks of disease, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the “State”) and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District’s assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see “TAX BASE FOR REPAYMENT OF THE BONDS” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.”

Description of the Bonds

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 certificates representing their interests in the Bonds.

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year (each a “Bond Payment Date”), commencing February 1, 2021.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2021, in which event it shall bear interest from its date; *provided*, that if, at the time of authentication of any Bond interest is in default on any outstanding Bonds, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on August 1 in the years and amounts set forth on the inside cover hereof.

The principal of the Bonds will be payable on the dates indicated on the inside cover page hereof, in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the designated corporate trust office of the Paying Agent. The interest on the Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a “Record Date”), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner’s address as it appears on such registration books on the preceding Record Date or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least \$1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Bond Insurance

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

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

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition,

the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

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

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. Information presented at any website cited within this section is not incorporated herein by reference. The District cannot and does not give any assurances 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) certificates

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 Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “MMI Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for 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 certificate will be issued for each maturity of the Bonds of each Series, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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.

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 certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the 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 notices be provided directly to them.

Redemption notices shall 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.

Neither DTC nor Cede & Co. (nor any 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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

So long as Cede & Co. is the registered Owner of the Bonds of a Series, as nominee of DTC, references herein to the Owners or Holders of the Bonds of such Series (other than under the caption "TAX MATTERS") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds of such Series.

Paying Agent

MUFG Union Bank, N.A., with a designated office located in Los Angeles, California, will act as the registrar, transfer agent, authenticating agent and paying agent (the “Paying Agent”) for the Bonds. As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC.

Neither the Paying Agent, the District, nor the Underwriter of the Bonds have any 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 Series B Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 2028, at a redemption price equal to the principal amount of the Series B Bonds called for redemption as of the date set for redemption, plus unpaid accrued interest to the date fixed for redemption, without premium.

The Refunding Bonds maturing on or before August 1, 2030, are not subject to redemption. The Refunding Bonds maturing on or after August 1, 2031, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after August 1, 2030, at a redemption price equal to the principal amount of the Refunding Bonds called for redemption as of the date set for redemption, plus unpaid accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Refunding Bonds issued as Term Bonds maturing on August 1, 2037, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2031, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

| Redemption Date (August 1) | Principal Amount to be Redeemed |
|-------------------------------|------------------------------------|
| 2031 | \$195,000 |
| 2032 | 210,000 |
| 2033 | 215,000 |
| 2034 | 230,000 |
| 2035 | 245,000 |
| 2036 | 965,000 |
| 2037 ⁽¹⁾ | 1,020,000 |

⁽¹⁾ Maturity.

In the event that a portion of such Term Bonds maturing on August 1, 2037, are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such Bonds optionally redeemed.

The Refunding Bonds issued as Term Bonds maturing on August 1, 2039, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2038, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

| Redemption Date (<u>August 1</u>) | Principal Amount <u>to be Redeemed</u> |
|----------------------------------------|-------------------------------------------|
| 2038 | \$1,080,000 |
| 2039 ⁽¹⁾ | 1,145,000 |

⁽¹⁾ Maturity.

In the event that a portion of such Term Bonds maturing on August 1, 2039, are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such Bonds optionally redeemed.

The Series B Bonds issued as Term Bonds maturing on August 1, 2045, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2043, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

| Redemption Date (<u>August 1</u>) | Principal Amount <u>to be Redeemed</u> |
|----------------------------------------|-------------------------------------------|
| 2043 | \$1,965,000 |
| 2044 | 2,090,000 |
| 2045 ⁽¹⁾ | 3,150,000 |

⁽¹⁾ Maturity.

In the event that a portion of such Term Bonds maturing on August 1, 2045, are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds of a Series and less than all Bonds of such Series are to be redeemed, the Paying Agent, upon written instruction from the District, will select the Bonds of such Series for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption by lot. The portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption. While the Bonds of a Series are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption of such Bonds only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of

Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the applicable Resolution.

The Paying Agent shall give notice of the redemption (a “Redemption Notice”) of Bonds of a Series at the expense of the District. Such Redemption Notice shall specify: (a) the Bonds of such Series or designated portions thereof (in the case of redemption of the Bonds of such Series in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Bonds of such Series are to be called for redemption, shall designate the numbers (or state that all Bonds of such Series between two stated numbers both inclusive have been called for redemption) and CUSIP numbers, if any, of the Bonds of such Series 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 of such Series and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond of such Series to be redeemed, the portion of the principal of such Bond to be redeemed, together with the interest accrued to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue, as applicable.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the applicable Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the District and the County and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least 20 days, but not more than 45 days, prior to the designated redemption date; provided that neither failure to receive such notice, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. Neither failure to receive or failure to send, any Redemption Notice, nor any defect in any such Redemption Notice, so mailed shall affect the sufficiency of the proceedings for the redemption of the affected Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

Effect of Notice of Redemption. Notice having been given pursuant to the applicable Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the applicable Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such a redemption date, money for the redemption of all the Series B Bonds to be redeemed as provided in the Series B Bonds Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Series B Bonds Resolution, then from and after such redemption date, interest with respect to the Series B Bonds to be redeemed shall cease to accrue. If on such a redemption date, money for the redemption of all the Refunding Bonds to be redeemed as provided in the Refunding Bonds

Resolution; together with interest accrued to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Refunding Bonds Resolution, then from and after such redemption date, interest with respect to the Refunding Bonds to be redeemed shall cease to accrue. All money held for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. All Bonds of a Series paid at maturity or redeemed prior to maturity pursuant to the applicable Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County or the District. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Paying Agent.

Contingent Redemption; Rescission of Redemption. Any redemption notice may specify that redemption of the Bonds designated for redemption on a specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the County and the Paying Agent will have no liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds of a Series, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds of such Series so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the District nor the Paying Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the applicable Resolution.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds of a Series remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds of such Series as provided in the applicable Resolution (the "Bond Register"). Subject to the provisions of the applicable Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of the applicable Resolution. Payment of or on account of the principal, premium, if any, and interest on any Bond shall be made only to or upon the order of the Owner thereof; the District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the applicable Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds of such Series, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry-only system as described above is no longer used with respect to the Bonds of a Series, the following provisions will govern the transfer and exchange of the Bonds of such Series.

Any Bond of a Series may be exchanged for Bonds of such Series of like tenor, maturity and aggregate principal amount, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond of a Series may (but only if the District determines no longer to maintain the book-entry-only status of the Bonds of such Series, DTC

determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred on the applicable Bond Register only upon surrender of such Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of such Series of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds of a Series, the County shall sign and the Paying Agent shall authenticate and deliver Bonds of such Series in accordance with the provisions of the applicable Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds of a Series issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt and entitled to the same security and benefit under the applicable Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District and the County may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District and the County may have acquired in any manner whatsoever, and those Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall be made to the District and the County by the Paying Agent and updated annually. The cancelled Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the day after the Record Date next preceding any Bond Payment Date or beginning the date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds of a Series may be defeased at any time prior to maturity in the following ways:

- (a) Cash: By irrevocably depositing with a bank or trust company in escrow, an amount of cash which together with amounts then on deposit in the applicable Debt Service Fund, to be applied thereto, as applicable, is sufficient to pay all Bonds of such Series outstanding and designated for defeasance, including all principal of, interest thereon and redemption premium, if any; or
- (b) Defeasance Securities: By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Securities (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the applicable Debt Service Fund, to be applied thereto, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds of such Series outstanding and designated for defeasance (including all principal of, interest thereon and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except for the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraph (a) or paragraph (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

“Defeasance Securities” shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian’s general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating.

Application and Investment of Bond Proceeds

Series B Bonds. The Series B Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Series B Bonds, and to pay certain costs of issuing the Series B Bonds.

The net proceeds from the sale of the Series B Bonds shall be paid to the County to the credit of the “Hueneme Elementary School District General Obligation Bonds, 2012 Election, Series B Building Fund” (the “Building Fund”). Any premium received by the County from the sale of the Series B Bonds shall be kept separate and apart in the “Hueneme Elementary School District General Obligation Bonds, 2012 Election, Series B Debt Service Fund” (the “Series B Bonds Debt Service Fund”) and used only for payment of principal of and interest on the Series B Bonds. Any excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued shall be transferred to the Series B Debt Bonds Service Fund and applied to the payment of principal of and interest on the Series B Bonds. If, after payment in full of the Series B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the debt service funds of any then-outstanding general obligation bonds of the District, and if there are none, shall be transferred to the general fund of the District.

Refunding Bonds. The Refunding Bonds are being issued to currently refund certain maturities of the District’s General Obligation Bonds, 2012 Election, Series A, and General Obligation Bonds, 2012 Election, Series B, and to pay certain costs of issuing the Refunding Bonds. The specific maturities of those bonds to be refunded (the “Refunded Bonds”) and the bonds to remain outstanding and unrefunded (the “Unrefunded Bonds”) are listed in the following tables.

REFUNDED BONDS
Hueneme Elementary School District

General Obligation Bonds, 2012 Election, Series A

| <u>Maturity Date</u> <u>(August 1)</u> | <u>CUSIP</u> [†] | <u>Principal Amount</u> | <u>Redemption Date</u> | <u>Redemption Price</u> <u>(% of Par Amount)</u> |
|-------------------------------------------|---------------------------|-------------------------|------------------------|-----------------------------------------------------|
| 2024 | 444258EA1 | \$60,000 | August 1, 2023 | 100% |
| 2025 | 444258EB9 | 65,000 | August 1, 2023 | 100 |
| 2026 | 444258EC7 | 75,000 | August 1, 2023 | 100 |
| 2027 | 444258ED5 | 80,000 | August 1, 2023 | 100 |
| 2028 | 444258EE3 | 90,000 | August 1, 2023 | 100 |
| 2037 | 444258EG8 | 1,290,000 | August 1, 2023 | 100 |

General Obligation Bonds, 2012 Election, Series B

| <u>Maturity Date</u> <u>(August 1)</u> | <u>CUSIP</u> [†] | <u>Principal Amount</u> | <u>Redemption Date</u> | <u>Redemption Price</u> <u>(% of Par Amount)</u> |
|-------------------------------------------|---------------------------|-------------------------|------------------------|-----------------------------------------------------|
| 2039 | 444258FC6 | \$4,020,000 | August 1, 2024 | 100% |

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† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

Portions of the District’s General Obligation Bonds, 2012 Election, Series A, and General Obligation Bonds, 2012 Election, Series B, as listed in the following table, are not being refunded from proceeds of the Refunding Bonds.

UNREFUNDED BONDS
Hueneme Elementary School District

General Obligation Bonds, 2012 Election, Series A

| Maturity Date (August 1) | CUSIP [†] | Principal Amount |
|-----------------------------|--------------------|------------------|
| 2021 | 444258DX2 | \$40,000 |
| 2022 | 444258DY0 | 50,000 |
| 2023 | 444258DZ7 | 55,000 |

General Obligation Bonds, 2012 Election, Series B

| Maturity Date (August 1) | CUSIP [†] | Principal Amount |
|-----------------------------|--------------------|------------------|
| 2021 | 444258EN3 | \$185,000 |
| 2022 | 444258EP8 | 205,000 |
| 2023 | 444258EQ6 | 235,000 |
| 2024 | 444258ER4 | 270,000 |
| 2025 | 444258ES2 | 300,000 |
| 2026 | 444258ET0 | 335,000 |
| 2027 | 444258EU7 | 375,000 |
| 2028 | 444258EV5 | 410,000 |
| 2029 | 444258EW3 | 455,000 |
| 2030 | 444258EX1 | 495,000 |
| 2031 | 444258EY9 | 545,000 |
| 2032 | 444258EZ6 | 585,000 |
| 2033 | 444258FA0 | 630,000 |
| 2034 | 444258FB8 | 675,000 |
| 2035 | 444258FD4 | 725,000 |

A portion of the net proceeds from the sale of the Refunding Bonds shall be paid to MUFG Union Bank, N.A., acting as escrow agent (the “Escrow Agent”), to the credit of the “Hueneme Elementary School District 2020 Refunding Bonds Escrow Fund” (the “Escrow Fund”). Pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and the Escrow Agent, an amount will be deposited in the Escrow Fund which will be sufficient to enable the Escrow Agent to pay the redemption price of the Refunded Bonds, on the respective redemption dates therefor, as well as the interest due on such Refunded Bonds on and before such dates.

The sufficiency of the amounts on deposit in the Escrow Fund to pay the redemption prices of the Refunded Bonds, and the accrued interest due on the Refunded Bonds, on the above-referenced date, will be verified by Causey Demgen & Moore, P.C., Denver, Colorado (the “Verification Agent”). See “LEGAL MATTERS – Escrow Verification.” As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will cease.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services.

The accrued interest and surplus moneys, if any, remaining after payment of the Refunded Bonds in the Escrow Fund, when received by the District from the sale of the Refunding Bonds or following the redemption of the Refunded Bonds, shall be kept separate and apart in the Refunding Bonds Debt Service Fund and used only for payment of principal of and interest on the Refunding Bonds. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes for which the Refunding Bonds are being issued shall be transferred to the Refunding Bonds Debt Service Fund and applied to the payment of principal of and interest on the Refunding Bonds.

Expected Investment of Bond Proceeds. Moneys in the Debt Service Funds and the Building Fund are expected to be invested through the County Treasury Pool. See “APPENDIX E – VENTURA COUNTY STATEMENT OF INVESTMENT POLICY AND REPORT OF INVESTMENTS.”

ESTIMATED SOURCES AND USES OF FUNDS

Series B Bonds

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

Sources of Funds

| | |
|----------------------------------------|---------------------|
| Principal Amount of the Series B Bonds | \$20,200,000.00 |
| Net Original Issue Premium | <u>1,855,459.00</u> |
| Total Sources | \$22,055,459.00 |

Uses of Funds

| | |
|-------------------------------------------------|-------------------|
| Building Fund | \$20,030,000.00 |
| Series B Bonds Debt Service Fund ⁽¹⁾ | \$1,676,479.99 |
| Costs of Issuance ⁽²⁾ | <u>348,979.01</u> |
| Total Uses | \$22,055,459.00 |

⁽¹⁾ Represents capitalized interest on the Series B Bonds.

⁽²⁾ Includes Underwriter’s discount, legal fees, printing fees, demographics, rating fees, bond insurance premium, municipal advisor’s fees, initial fees of the Paying Agent, and related expenses.

Refunding Bonds

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

Sources of Funds

| | |
|-----------------------------------------|-----------------------|
| Principal Amount of the Refunding Bonds | <u>\$6,795,000.00</u> |
| Total Sources | \$6,795,000.00 |

Uses of Funds

| | |
|----------------------------------|-------------------|
| Escrow Fund | \$6,678,575.68 |
| Costs of Issuance ⁽³⁾ | <u>116,424.32</u> |
| Total Uses | \$6,795,000.00 |

⁽³⁾ Includes Underwriter’s discount, legal fees, printing fees, demographics, rating fees, bond insurance premium, municipal advisor’s fees, verification agent’s fees, initial fees of the Paying Agent and Escrow Agent, and related expenses.

DEBT SERVICE SCHEDULES

The following table summarizes the annual debt service requirements of the District with respect to the Bonds (assuming no optional redemptions are made):

| Year Ending August 1 | Series B Bonds | | Refunding Bonds | | Total Annual Debt Service |
|-------------------------|-----------------------------|-------------------------------------------|-----------------------------|-------------------------------------------|------------------------------|
| | Annual Principal Payment | Annual Interest Payment ⁽¹⁾ | Annual Principal Payment | Annual Interest Payment ⁽¹⁾ | |
| 2021 | -- | \$585,215.07 ⁽²⁾ | \$135,000.00 | \$134,711.55 | \$854,926.62 |
| 2022 | -- | 699,925.00 ⁽²⁾ | 90,000.00 | 160,591.66 | 950,516.66 |
| 2023 | -- | 699,925.00 ⁽²⁾ | 90,000.00 | 160,106.56 | 950,031.56 |
| 2024 | -- | 699,925.00 | 145,000.00 | 159,510.76 | 1,004,435.76 |
| 2025 | -- | 699,925.00 | 155,000.00 | 158,255.06 | 1,013,180.06 |
| 2026 | -- | 699,925.00 | 165,000.00 | 156,680.26 | 1,021,605.26 |
| 2027 | -- | 699,925.00 | 165,000.00 | 154,531.96 | 1,019,456.96 |
| 2028 | -- | 699,925.00 | 175,000.00 | 152,136.16 | 1,027,061.16 |
| 2029 | -- | 699,925.00 | 180,000.00 | 149,133.16 | 1,029,058.16 |
| 2030 | -- | 699,925.00 | 190,000.00 | 145,864.36 | 1,035,789.36 |
| 2031 | -- | 699,925.00 | 195,000.00 | 142,223.96 | 1,037,148.96 |
| 2032 | -- | 699,925.00 | 210,000.00 | 137,077.92 | 1,047,002.92 |
| 2033 | \$780,000.00 | 699,925.00 | 215,000.00 | 131,536.02 | 1,826,461.02 |
| 2034 | 940,000.00 | 668,725.00 | 230,000.00 | 125,862.16 | 1,964,587.16 |
| 2035 | 1,035,000.00 | 631,125.00 | 245,000.00 | 119,792.46 | 2,030,917.46 |
| 2036 | 1,130,000.00 | 589,725.00 | 965,000.00 | 113,326.92 | 2,798,051.92 |
| 2037 | 1,230,000.00 | 544,525.00 | 1,020,000.00 | 87,860.56 | 2,882,385.56 |
| 2038 | 1,335,000.00 | 495,325.00 | 1,080,000.00 | 60,942.76 | 2,971,267.76 |
| 2039 | 1,450,000.00 | 441,925.00 | 1,145,000.00 | 31,361.56 | 3,068,286.56 |
| 2040 | 1,570,000.00 | 383,925.00 | -- | -- | 1,953,925.00 |
| 2041 | 1,695,000.00 | 321,125.00 | -- | -- | 2,016,125.00 |
| 2042 | 1,830,000.00 | 253,325.00 | -- | -- | 2,083,325.00 |
| 2043 | 1,965,000.00 | 180,125.00 | -- | -- | 2,145,125.00 |
| 2044 | 2,090,000.00 | 131,000.00 | -- | -- | 2,221,000.00 |
| 2045 | <u>3,150,000.00</u> | <u>78,750.00</u> | <u>--</u> | <u>--</u> | <u>3,228,750.00</u> |
| Total | \$20,200,000.00 | \$13,703,915.07 | \$6,795,000.00 | \$2,481,505.81 | \$43,180,420.88 |

⁽¹⁾ Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2021.

⁽²⁾ All or a portion represents capitalized interest, paid from funds deposited in the Series B Bonds Debt Service Fund.

See “DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds” for a schedule of the combined debt service requirements for all of the District’s outstanding general obligation bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the Ventura County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIII A of the California Constitution ("Article XIII A"). For a discussion of how properties currently are assessed and reassessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total assessed valuation for fiscal year 2020-21 of \$5,013,330,152. Shown in the following table are the assessed valuations for the District since 1979-80. The District's assessed valuation increased by 771.70% between fiscal year 1979-80 and fiscal year 2020-21, representing an approximate average annual compound growth rate of 5.42%.

ASSESSED VALUATION
Fiscal Years 1979-80 to 2020-21
Hueneme Elementary School District

| Fiscal Year | Total Assessed Valuation | Annual % Change |
|-------------|-----------------------------|--------------------|
| 1979-80 | \$575,118,172 | -- |
| 1980-81 | 654,737,740 | 13.84% |
| 1981-82 | 749,589,161 | 14.49 |
| 1982-83 | 866,914,277 | 15.65 |
| 1983-84 | 892,694,304 | 2.97 |
| 1984-85 | 946,950,992 | 6.08 |
| 1985-86 | 1,007,052,983 | 6.35 |
| 1986-87 | 1,110,866,270 | 10.31 |
| 1987-88 | 1,182,836,484 | 6.48 |
| 1988-89 | 1,254,012,531 | 6.02 |
| 1989-90 | 1,392,047,979 | 11.01 |
| 1990-91 | 1,562,405,550 | 12.24 |
| 1991-92 | 1,620,854,573 | 3.74 |
| 1992-93 | 1,678,662,881 | 3.57 |
| 1993-94 | 1,713,066,686 | 2.05 |
| 1994-95 | 1,780,367,104 | 3.93 |
| 1995-96 | 1,769,752,159 | -0.60 |
| 1996-97 | 1,735,451,822 | -1.94 |
| 1997-98 | 1,792,380,793 | 3.28 |
| 1998-99 | 1,810,271,479 | 1.00 |
| 1999-00 | 1,874,295,472 | 3.54 |
| 2000-01 | 2,003,031,831 | 6.87 |
| 2001-02 | 2,143,529,090 | 7.01 |
| 2002-03 | 2,296,325,485 | 7.13 |
| 2003-04 | 2,535,572,116 | 10.42 |
| 2004-05 | 2,742,994,554 | 8.18 |
| 2005-06 | 3,082,414,429 | 12.37 |
| 2006-07 | 3,537,026,950 | 14.75 |
| 2007-08 | 3,772,908,011 | 6.67 |
| 2008-09 | 3,768,415,303 | -0.12 |
| 2009-10 | 3,524,708,884 | -6.47 |
| 2010-11 | 3,450,613,451 | -2.10 |
| 2011-12 | 3,397,658,738 | -1.53 |
| 2012-13 | 3,353,265,032 | -1.31 |
| 2013-14 | 3,512,392,668 | 4.75 |
| 2014-15 | 3,788,984,108 | 7.87 |
| 2015-16 | 4,020,841,444 | 6.12 |
| 2016-17 | 4,178,747,940 | 3.93 |
| 2017-18 | 4,383,705,918 | 4.90 |
| 2018-19 | 4,576,022,261 | 4.39 |
| 2019-20 | 4,825,903,867 | 5.46 |
| 2020-21 | 5,013,330,152 | 3.88 |

Note: Excludes assessed valuation from unitary utility roll, beginning in 1988-89.
Source: *California Municipal Statistics, Inc.*

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, pandemics or other outbreaks of disease, reclassification of property to a class exempt from

taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment,” as well as “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

Appeals and Reductions of Assessed Valuations

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the preceding section or reductions in the fair market value of the taxable property. 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution.”

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.

No assurance can be given that property tax appeals or reassessments initiated by the County Assessor in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructures the functions of the State Board of Equalization (“SBE”) and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Assessed Valuation and Parcels by Land Use

The following table shows the distribution of the secured assessed valuation and parcels in the District by land use for fiscal year 2020-21.

ASSESSED VALUATION AND PARCELS BY LAND USE Fiscal Year 2020-21 Hueneme Elementary School District

| | 2020-21 <u>Assessed Valuation</u> ⁽¹⁾ | % of <u>Total</u> | No. of <u>Parcels</u> | % of <u>Total</u> | No. of Taxable <u>Parcels</u> | % <u>Total</u> |
|---------------------------------|-----------------------------------------------------|----------------------|--------------------------|----------------------|----------------------------------|-------------------|
| Non-Residential: | | | | | | |
| Commercial | \$133,774,172 | 2.93% | 179 | 1.46% | 177 | 1.47% |
| Vacant Commercial | 20,241,676 | 0.44 | 27 | 0.22 | 26 | 0.22 |
| Professional/Office | 28,056,373 | 0.61 | 38 | 0.31 | 38 | 0.32 |
| Industrial | 108,215,577 | 2.37 | 24 | 0.20 | 24 | 0.20 |
| Vacant Industrial | 5,868,515 | 0.13 | 7 | 0.06 | 7 | 0.06 |
| Government/Social/Institutional | 8,815,832 | 0.19 | 388 | 3.17 | 204 | 1.69 |
| Miscellaneous | <u>1,623,763</u> | <u>0.04</u> | <u>85</u> | <u>0.69</u> | <u>85</u> | <u>0.71</u> |
| Subtotal Non-Residential | \$306,595,908 | 6.71% | 748 | 6.11% | 561 | 4.66% |
| Residential: | | | | | | |
| Single Family Residence | \$3,087,729,790 | 67.59% | 8,116 | 66.34% | 8,116 | 67.40% |
| Condominium/Townhouse | 633,845,991 | 13.87 | 2,146 | 17.54 | 2,146 | 17.82 |
| Mobile Home Park | 3,223,003 | 0.07 | 1 | 0.01 | 1 | 0.01 |
| Mobile Home | 14,785,449 | 0.32 | 370 | 3.02 | 370 | 3.07 |
| Hotel/Motel | 13,482,544 | 0.30 | 6 | 0.05 | 6 | 0.05 |
| 2-4 Residential Units | 264,247,611 | 5.78 | 631 | 5.16 | 631 | 5.24 |
| 5+ Residential Units/Apartments | 231,153,865 | 5.06 | 148 | 1.21 | 146 | 1.21 |
| Vacant Residential | <u>13,206,575</u> | <u>0.29</u> | <u>68</u> | <u>0.56</u> | <u>64</u> | <u>0.53</u> |
| Subtotal Residential | \$4,261,674,828 | 93.29% | 11,486 | 93.89% | 11,480 | 95.34% |
| Total | \$4,568,270,736 | 100.00% | 12,234 | 100.00% | 12,041 | 100.00% |

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

Assessed Valuation by Jurisdiction

The following table shows the distribution of taxable property within the District by jurisdiction, as measured by assessed valuation for fiscal year 2020-21.

ASSESSED VALUATION BY JURISDICTION Fiscal Year 2020-21 Hueneme Elementary School District

| <u>Jurisdiction:</u> | <u>Assessed Valuation in School District</u> | <u>% of School District</u> | <u>Assessed Valuation of Jurisdiction</u> | <u>% of Jurisdiction in School District</u> |
|-------------------------------|--------------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|
| City of Oxnard | \$2,136,720,807 | 42.62% | \$22,079,587,400 | 9.68% |
| City of Port Hueneme | 1,372,152,455 | 27.37 | \$2,205,445,159 | 62.22% |
| Unincorporated Ventura County | 1,504,456,890 | 30.01 | \$24,341,370,917 | 6.18% |
| Total District | \$5,013,330,152 | 100.00% | | |
| Ventura County | \$5,013,330,152 | 100.00% | \$146,771,961,565 | 3.42% |

Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes

The following table shows increments of assessed valuation for single family parcels in the District for fiscal year 2020-21, including the median and average assessed value per parcel.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES

Fiscal Year 2020-21

Hueneme Elementary School District

| | No. of <u>Parcels</u> | 2020-21 <u>Assessed Valuation</u> | Average <u>Assessed Valuation</u> | Median <u>Assessed Valuation</u> |
|---------------------------|--------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Single Family Residential | 8,116 | \$3,087,729,790 | \$380,450 | \$310,088 |

| 2020-21 <u>Assessed Valuation</u> | No. of <u>Parcels</u> ⁽¹⁾ | % of <u>Total</u> | Cumulative <u>% of Total</u> | Total <u>Valuation</u> | % of <u>Total</u> | Cumulative <u>% of Total</u> |
|--------------------------------------|-----------------------------------------|----------------------|---------------------------------|---------------------------|----------------------|---------------------------------|
| \$0 - \$49,999 | 133 | 1.639% | 1.639% | \$5,369,175 | 0.174% | 0.174% |
| \$50,000 - \$99,999 | 863 | 10.633 | 12.272 | 57,806,255 | 1.872 | 2.046 |
| \$100,000 - \$149,999 | 481 | 5.927 | 18.199 | 61,077,097 | 1.978 | 4.024 |
| \$150,000 - \$199,999 | 501 | 6.173 | 24.372 | 88,405,449 | 2.863 | 6.887 |
| \$200,000 - \$249,999 | 918 | 11.311 | 35.683 | 208,208,779 | 6.743 | 13.630 |
| \$250,000 - \$299,999 | 954 | 11.755 | 47.437 | 262,506,161 | 8.502 | 22.132 |
| \$300,000 - \$349,999 | 861 | 10.609 | 58.046 | 278,821,038 | 9.030 | 31.162 |
| \$350,000 - \$399,999 | 684 | 8.428 | 66.474 | 256,727,101 | 8.314 | 39.476 |
| \$400,000 - \$449,999 | 762 | 9.389 | 75.862 | 323,416,728 | 10.474 | 49.951 |
| \$450,000 - \$499,999 | 709 | 8.736 | 84.598 | 334,985,706 | 10.849 | 60.799 |
| \$500,000 - \$549,999 | 237 | 2.920 | 87.518 | 123,250,704 | 3.992 | 64.791 |
| \$550,000 - \$599,999 | 126 | 1.552 | 89.071 | 72,471,549 | 2.347 | 67.138 |
| \$600,000 - \$649,999 | 111 | 1.368 | 90.439 | 69,539,562 | 2.252 | 69.390 |
| \$650,000 - \$699,999 | 108 | 1.331 | 91.769 | 73,120,432 | 2.368 | 71.758 |
| \$700,000 - \$749,999 | 57 | 0.702 | 92.472 | 41,201,427 | 1.334 | 73.093 |
| \$750,000 - \$799,999 | 65 | 0.801 | 93.273 | 50,423,943 | 1.633 | 74.726 |
| \$800,000 - \$849,999 | 74 | 0.912 | 94.184 | 60,916,402 | 1.973 | 76.699 |
| \$850,000 - \$899,999 | 40 | 0.493 | 94.677 | 34,942,573 | 1.132 | 77.830 |
| \$900,000 - \$949,999 | 41 | 0.505 | 95.182 | 37,732,959 | 1.222 | 79.052 |
| \$950,000 - \$999,999 | 36 | 0.444 | 95.626 | 34,824,896 | 1.128 | 80.180 |
| \$1,000,000 and greater | <u>355</u> | <u>4.374</u> | 100.000 | <u>611,981,854</u> | <u>19.820</u> | 100.000 |
| Total | 8,116 | 100.000% | | \$3,087,729,790 | 100.000% | |

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

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the SBE. State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a “going concern” rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the 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.

Any changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect

ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Secured Tax Charges and Delinquencies

Property taxes on the secured roll are due in two installments, November 1 and February 1 of the calendar year, and if unpaid, become delinquent after December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of the County. See “ – *Ad valorem* Property Taxation” herein.

Pursuant to Revenue and Taxation Code Section 4985.2, the Treasurer-Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 (“Order N-61-20”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in in Order N-61-20. See “Alternative Method of Tax Apportionment” and “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

The table on the following page shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2006-07 through fiscal year 2018-19 (i) with respect to the general countywide *ad valorem* tax levy and (ii) with respect to the tax levy within the District for its general obligation bonds. The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan (as defined below), beginning in the first year of such levy. Under the Teeter Plan, the District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 2006-07 through 2019-20
Hueneme Elementary School District

General Countywide *Ad Valorem* Tax Levy

| Fiscal Year | Secured Tax Charge ⁽¹⁾ | Amount Delinquent June 30 | Percent Delinquent June 30 |
|----------------|--------------------------------------|---------------------------------|----------------------------------|
| 2006-07 | \$6,202,975.02 | \$179,904.27 | 2.90% |
| 2007-08 | 6,604,446.97 | 260,416.38 | 3.94 |
| 2008-09 | 6,352,228.88 | 235,268.35 | 3.57 |
| 2009-10 | 6,162,711.20 | 148,148.40 | 2.40 |
| 2010-11 | 6,050,352.59 | 115,185.32 | 1.90 |
| 2011-12 | 5,940,442.23 | 80,510.16 | 1.36 |
| 2012-13 | 5,871,100.14 | 80,482.73 | 1.37 |
| 2013-14 | 6,153,773.20 | 170,151.78 | 2.76 |
| 2014-15 | 6,647,712.57 | 54,968.03 | 0.83 |
| 2015-16 | 7,115,429.14 | 97,152.17 | 1.37 |
| 2016-17 | 7,380,364.73 | 59,849.03 | 0.81 |
| 2017-18 | 7,750,321.68 | 58,467.46 | 0.75 |
| 2018-19 | 8,102,550.81 | 59,103.42 | 0.73 |
| 2019-20 | 8,541,299.05 | 118,920.55 | 1.39 |

General Obligation Bond Debt Service Levy

| Fiscal Year | Secured Tax Charge ⁽²⁾ | Amount Delinquent June 30 | Percent Delinquent June 30 |
|----------------|--------------------------------------|---------------------------------|----------------------------------|
| 2006-07 | \$1,098,715.63 | \$97,150.82 | 8.84% |
| 2007-08 | 1,232,821.52 | 135,415.19 | 10.98 |
| 2008-09 | 1,270,135.55 | 101,108.14 | 7.96 |
| 2009-10 | 1,375,070.02 | 62,803.59 | 4.57 |
| 2010-11 | 1,406,939.22 | 50,500.79 | 3.59 |
| 2011-12 | 1,502,142.23 | 50,362.96 | 3.35 |
| 2012-13 | 1,456,154.05 | 36,103.26 | 2.48 |
| 2013-14 | 2,237,156.65 | 54,308.29 | 2.43 |
| 2014-15 | 2,217,860.78 | 54,276.85 | 2.45 |
| 2015-16 | 2,422,145.98 | 54,268.84 | 2.24 |
| 2016-17 | 2,103,997.94 | 73,989.68 | 3.52 |
| 2017-18 | 2,506,485.05 | 60,219.29 | 2.40 |
| 2018-19 | 2,755,231.07 | 65,800.00 | 2.39 |
| 2019-20 | 2,680,815.91 | 79,934.85 | 2.98 |

⁽¹⁾ District's share of 1% countywide levy. Reflects countywide delinquency rate.

⁽²⁾ District's general obligation bond debt service levy.

Sources: *California Municipal Statistics, Inc. and Ventura County Auditor-Controller.*

Alternative Method of Tax Apportionment

The Board of Supervisors of Ventura County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all secured tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19." However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due.

Tax Rates

There are a total of 66 tax rate areas in the District. A representative District tax rate area located within the city of Port Hueneme, Tax Rate Area 6-003, has a fiscal year 2019-20 assessed valuation of \$424,129,558, representing 8.5% of the District's taxable assessed valuation. A representative tax rate area of the District located within the city of Oxnard, Tax Rate Area 3-005, has a fiscal year 2019-20 assessed valuation of \$574,849,156, representing 11.5% of the District's taxable assessed valuation. A representative tax rate area in the unincorporated County portion of the District, Tax Rate Area 63-014, has a fiscal year 2019-20 assessed valuation \$723,990,517, representing 14.4% of the District's taxable assessed valuation. The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in these three tax rate areas during the five-year period from 2015-16 to 2019-20.

**SUMMARY OF *AD VALOREM* TAX RATES
\$1 Per \$100 of Assessed Valuation
Hueneme Elementary School District**

City of Oxnard – Tax Rate Area 3-005
(2019-20 Assessed Valuation: \$574,849,156)

| | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| General Tax Rate | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 |
| Hueneme Elementary School District | .068500 | .056600 | .063400 | .066500 | .090200 |
| Oxnard Union High School District | .028200 | .022100 | .028700 | .047500 | .049100 |
| Ventura Community College District | .013000 | .015500 | .015100 | .015200 | .014300 |
| Metropolitan Water District | .003500 | .003500 | .003500 | .003500 | .003500 |
| City of Oxnard | <u>.067563</u> | <u>.047429</u> | <u>.068774</u> | <u>.062796</u> | <u>.060177</u> |
| Total All Property Tax Rate | \$1.180763 | \$1.145129 | \$1.179474 | \$1.195496 | \$1.217277 |

City of Port Hueneme – Tax Rate Area 6-003
(2019-20 Assessed Valuation: \$424,129,558)

| | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| General Tax Rate | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 |
| Hueneme Elementary School District | .068500 | .056600 | .063400 | .066500 | .090200 |
| Oxnard Union High School District | .028200 | .022100 | .028700 | .047500 | .049100 |
| Ventura Community College District | .013000 | .015500 | .015100 | .015200 | .014300 |
| Metropolitan Water District | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> |
| Total All Property Tax Rate | \$1.113200 | \$1.097700 | \$1.110700 | \$1.132700 | \$1.157100 |
| United Water Conservation District | <u>.000530</u> | <u>.027148</u> | <u>.026434</u> | <u>.024886</u> | <u>.017208</u> |
| Total Land and Improvement Tax Rate | \$.000530 | \$.027148 | \$.026434 | \$.024886 | \$.017208 |

Unincorporated Ventura County – Tax Rate Area 63-014
(2019-20 Assessed Valuation: \$723,990,517)

| | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> | <u>2019-20</u> |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| General Tax Rate | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 | \$1.000000 |
| Hueneme Elementary School District | .068500 | .056600 | .063400 | .066500 | .090200 |
| Oxnard Union High School District | .028200 | .022100 | .028700 | .047500 | .049100 |
| Ventura Community College District | .013000 | .015500 | .015100 | .015200 | .014300 |
| Metropolitan Water District | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> | <u>.003500</u> |
| Total All Property Tax Rate | \$1.113200 | \$1.097700 | \$1.110700 | \$1.132700 | \$1.157100 |
| United Water Conservation District | <u>.000530</u> | <u>.027148</u> | <u>.026434</u> | <u>.024886</u> | <u>.017208</u> |
| Total Land and Improvement Tax Rate | \$.000530 | \$.027148 | \$.026434 | \$.024886 | \$.017208 |

Source: California Municipal Statistics, Inc.

Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer’s financial situation and ability or willingness to pay property taxes. The table below lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2020-21 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to 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.

LARGEST 2020-21 LOCAL SECURED PROPERTY TAXPAYERS Hueneme Elementary School District

| | <u>Property Owner</u> | <u>Primary Land Use</u> | <u>2020-21 Assessed Valuation</u> | <u>Total ⁽¹⁾</u> |
|-----|--------------------------------------------|-------------------------|---------------------------------------|-----------------------------|
| 1. | New Indy Oxnard LLC | Industrial | \$82,805,430 | 1.81% |
| 2. | FPA6 Club Pacifica LLC | Apartments | 34,155,320 | 0.75 |
| 3. | Ocean Villas LP | Apartments | 28,958,741 | 0.63 |
| 4. | Roussey Family Partnership LP | Commercial | 12,166,266 | 0.27 |
| 5. | Social Betterment Properties International | Assisted Living | 11,220,000 | 0.25 |
| 6. | Rexford Industrial Realty LP | Industrial | 10,398,805 | 0.23 |
| 7. | We-Jen Enterprises LLC | Apartments | 9,851,448 | 0.22 |
| 8. | Pleasant Valley 52 LP | Apartments | 9,830,729 | 0.22 |
| 9. | Pleasant Valley Plaza LP | Shopping Center | 9,704,930 | 0.21 |
| 10. | Seaview Apartments LLC | Apartments | 9,345,517 | 0.20 |
| 11. | Global Premier RP Oxnard LP | Convalescent Home | 7,734,644 | 0.17 |
| 12. | 939 X Serano Ave. LLC | Commercial | 7,682,987 | 0.17 |
| 13. | Evergreen 41 LP | Apartments | 7,406,700 | 0.16 |
| 14. | Cheng Hsin Investment | Hotel | 6,819,360 | 0.15 |
| 15. | Casa Pacifica | Apartments | 6,496,686 | 0.14 |
| 16. | CTR Partnership LP | Office Building | 6,435,690 | 0.14 |
| 17. | 1511 12th St LLC | Apartments | 6,321,468 | 0.14 |
| 18. | Ocean Drive Properties LLC | Apartments | 6,092,680 | 0.13 |
| 19. | H&R Harbor Village | Apartments | 5,938,119 | 0.13 |
| 20. | Yucca Apartments LLC | Apartments | 5,787,188 | 0.13 |
| | | | \$285,152,708 | 6.24% |

⁽¹⁾ 2020-21 local secured assessed valuation: \$4,568,270,736.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report regarding the District (a “Debt Report”) prepared by California Municipal Statistics, Inc. and effective September 1, 2020, for debt issued as of August 26, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and make no representation in connection therewith.

The Debt Report generally include 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.

The contents of the Debt Report is as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Hueneme Elementary School District**

2020-21 Assessed Valuation: \$5,013,330,152

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | <u>% Applicable</u> ⁽¹⁾ | <u>Debt 9/1/20</u> |
|------------------------------------------------------------------------|------------------------------------|----------------------------------|
| Metropolitan Water District | 0.153% | \$49,312 |
| Ventura County Community College District | 3.419 | 9,230,256 |
| Oxnard Union High School District | 10.566 | 38,951,244 |
| Hueneme School District | 100.000 | 40,875,264 ⁽²⁾ |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | \$89,106,076 |
| <u>OVERLAPPING GENERAL FUND DEBT:</u> | | |
| Ventura County General Fund Obligations | 3.417% | 11,428,669 |
| Ventura County Superintendent of Schools Certificates of Participation | 3.417 | 300,183 |
| Oxnard Union High School District General Fund Obligations | 10.566 | 1,920,989 |
| City of Oxnard General Fund Obligations | 9.775 | 7,657,777 |
| City of Port Hueneme General Fund and Pension Obligation Bonds | 62.196 | <u>2,103,004</u> |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | \$23,410,622 |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u> | | \$8,950,171 |
| COMBINED TOTAL DEBT | | \$121,466,869 ⁽³⁾ |

Ratios to 2020-21 Assessed Valuation:

| | |
|-----------------------------------------------------------|--------------|
| Direct Debt (\$40,875,264) | 0.82% |
| Total Direct and Overlapping Tax and Assessment Debt..... | 1.78% |
| Combined Total Debt | 2.42% |

Ratios to Redevelopment Incremental Valuation (\$1,201,558,161):

| | |
|-------------------------------------------|-------|
| Total Overlapping Tax Increment Debt..... | 0.74% |
|-------------------------------------------|-------|

⁽¹⁾ 2019-20 ratios.

⁽²⁾ Excludes the Bonds and includes the Refunded Bonds.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds of the District is payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See “THE BONDS – Security and Sources of Payment.” Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 98 and 111, 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 County to levy taxes on behalf of the District and the District to spend its revenues 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 its 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, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value matches or exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See “THE BONDS – Security and Sources of Payment” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property, with certain exceptions. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any state taxes for the purpose of increasing tax revenues.

Property Tax Ballot Measures. On May 29, 2020, a proposed voter initiated ballot initiative became eligible and subsequently qualified for the November 2020 Statewide ballot (the “Proposition 15”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing Proposition 15, approximately 40% of the remaining additional tax revenues generated as a result of Proposition 15 would be deposited into a fund created pursuant to Proposition 15 called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State’s constitutional minimum funding requirement. With respect to the tax revenues deposited into the Local School and Community College Property Tax Fund, 11% would be allocated by the Board of Governors of the California Community Colleges to community college districts and 89% of such tax revenues would be allocated by the Superintendent of Public Instruction to school districts, charter schools and county offices of education.

On July 1, 2020, a legislatively referred constitutional amendment was filed with the Secretary of State and subsequently qualified for the November 2020 Statewide ballot (“Proposition 19”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 19 would amend Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection.

The District cannot predict whether either Proposition 15 or Proposition 19 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Proposition 15 or Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

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.

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision I of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

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. Such utilities may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the 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. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION” herein.

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. As amended, Article XIII B defines:

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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 pursuant to 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 such as the Bonds, (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 State 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.

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 pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

Article XIII C and Article XIII D of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution 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 XIII D. 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.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). 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 State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State 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 monies 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.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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:

- a. 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.

- b. 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.
- c. 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 was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.
- d. 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.
- e. 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. 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 Article XIII A 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, 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, and permitted property taxes to exceed this limit only 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 would apply 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 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district). These requirements are not part of the constitutional amendment and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District’s budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State 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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See also "DISTRICT FINANCIAL INFORMATION – State Dissolution of Redevelopment Agencies."

Proposition 30 and Proposition 55

On November 6, 2012, State voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. 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 \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by State voters on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for K-14 school districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being 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 K-14 school districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of average daily attendance (“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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, State voters approved the Rainy Day Budget Stabilization Fund Act (also known as “Proposition 2”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at

a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

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

The District, which has an ADA of less than 400,000, would be required pursuant to SB 858 to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 (“SB 751”), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of ADA.

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is an initiative that was approved by State voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual State budget process.

The District makes no guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 22, 26, 30, 39, 98, 51 and 55 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein 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 property tax required to be levied by the County in an amount sufficient for the payment thereof.

2020-21 State Budget. On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the “2020-21 Budget”). The following information is drawn from the summary of the 2020-21 Budget by the State Department of Finance (“DOF”).

As with the Governor’s May revision (the “May Revision”) to the proposed State budget, the 2020-21 Budget acknowledges that the rapid onset of COVID-19 has had an immediate and severe impact on the State’s economy. The ensuing recession has caused significant job losses, precipitous drops in family and business income, and has exacerbated inequality. The May Revision forecast included a peak unemployment rate of 24.5% in the second quarter of 2020 and a decline in personal income of nearly 9%. The 2020-21 Budget reports that the official unemployment rate exceeded 16% in both April and May of 2020.

The 2020-21 Budget includes a number of measures intended to address a projected deficit of \$54.3 billion identified by the May Revision, and occasioned principally by declines in the State’s three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, are intended to close this deficit and set aside \$2.6 billion in the State’s traditional general fund reserve, including \$716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget draws down \$8.8 billion in total State reserves, including \$7.8 billion from the BSA, \$450 million from the Safety Net Reserve and all funds in the PSSSA.
- *Triggers* – The 2020-21 Budget includes \$11.1 billion in reductions and deferrals that would be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives less than this amount, reductions and deferrals would be partially restored. The triggers includes \$6.6 billion in deferred spending on education, \$970 million in funding for the California State University and University of California systems, \$2.8 billion in State employee compensation and \$150 million for courts, as well as funding for various other State programs. The triggers would also fund an additional \$250 million for county programs to backfill revenue losses.
- *Federal Funds* – The 2020-21 Budget relies on \$10.1 billion in federal funds, including \$8.1 billion of which has already been received. This relief includes recent congressional approval for a temporary increase in the federal government’s share of Medicaid costs, a portion of the State’s Coronavirus Relief Fund allocation pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and federal funds provided for childcare programs.
- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately \$900 million of special fund borrowing is associated with reductions to State employee compensation and is subject to the triggers discussed above.
- *Increased Revenues* – The 2020-21 Budget temporarily suspends for three years net operating loss tax deductions for medium and large businesses and limits business tax credits, with an estimated increase in tax revenues of \$4.3 billion in fiscal year 2020-21.

- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget includes an additional \$10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision, and lower health and human services caseload costs than assumed by the May Revision.

For fiscal year 2019-20, the 2020-21 Budget projects total general fund revenues and transfers of \$137.6 billion and authorizes expenditures of \$146.9 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$17 billion, including \$16.1 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projects total general fund revenues and transfers of \$137.7 billion and authorizes expenditures of \$133.9 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of \$11.4 billion, including \$2.6 billion in the traditional general fund reserve (of which \$716 million is earmarked for COVID-related responses), \$8.3 billion in the BSA and \$450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimates that the Proposition 98 minimum funding guarantee for fiscal year 2020-21 is \$70.1 billion, approximately \$10 billion below the revised prior-year funding level. For K-12 school districts, this results in per-pupil spending in fiscal year 2020-21 of \$10,654, a reduction of \$1,339 from the prior year.

The 2020-21 Budget proposes several measures intended to ameliorate the immediate impact of State revenue declines, and avoid a permanent decline in education funding:

- *Local Control Funding Formula* – The 2020-21 Budget provides for \$1.9 billion in LCFF apportionment deferrals for fiscal year 2019-20. The deferrals increase to \$11 billion in fiscal year 2020-21, which results in LCFF funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspends the statutory COLA in fiscal 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in fiscal year 2020-21 if sufficient federal funding for this purpose is received.
- *Learning Loss Mitigation* – The 2020-21 Budget includes a one-time investment of \$5.3 billion (\$4.75 billion in CARES Act funding and \$539.9 million in Proposition 98 funding) to local educational agencies to address learning losses related to COVID-19 school closures. Of these funds, \$2.9 billion will be allocated based on LCFF supplemental and concentration grant allocations, \$1.5 billion based on the number of students with exceptional needs, and \$979.8 million based on total LCFF allocations.
- *Supplemental Appropriations* – The 2020-21 Budget provides for a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately \$12.4 billion, and reflects the administration’s estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State will make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue. The 2020-21 Budget also increases the share of State general fund revenue required to be spent on K-14 school districts from 38% to 40% by fiscal year 2023-24.
- *CalSTRS/CalPERS* – The 2020-21 Budget redirects \$2.3 billion in funds previously appropriated for prefunding CalSTRS and CalPERS liabilities, and instead applies them to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22. This reduces CalSTRS employer rates to 16.15% in fiscal year

2020-21 and 16.02% in fiscal year 2021-22. CalPERS employer rates would be reduced to 20.7% in fiscal year 2020-21 and 22.84% in fiscal year 2021-22. See also “THE DISTRICT – State Retirement Systems” herein.

- *Federal Funds* – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds recently awarded to the State. Of this amount, approximately \$1.5 billion will be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies receive, to be used for COVID-19 related costs. The remaining amount will be allocated to state-level activities.
- *Temporary Revenue Increases* – As discussed above, as part of closing the State’s projected deficit, the 2020-21 Budget provides for a temporary revenue increase of approximately \$4.3 billion in fiscal year 2020-21, of which approximately \$1.6 billion counts towards the Proposition 98 funding guarantee.

Other significant features of K-12 education funding in the 2020-21 Budget include the following:

- *Special Education* – The 2020-21 Budget increases special education base rates to \$625 per pupil, and provides \$100 million to increase funding for students with low-incidence disabilities.
- *Average Daily Attendance* – The 2020-21 Budget provides for a hold-harmless for calculating apportionments in fiscal year 2020-21. ADA will be based on the 2019-20 year, except for new charter schools commencing instruction in fiscal year 2020-21. The 2020-21 Budget also provides an exemption for local educational agencies from certain annual minimum instructional minute requirements, and includes requirements for distance learning to ensure that, in the absence of in-person instruction, students continue to receive access to quality education.
- *LCAPs* – In April of 2020, the Governor issued an executive order allowing local educational agencies to submit their LCAP for fiscal year 2020-21 in December, in lieu of the usual July 1 deadline. Recognizing that federal relief funds need to be expended on an accelerated timeline, and to ensure transparency, the 2020-21 Budget replaces the December LCAP with a Learning Continuity and Attendance Plan to be completed by September 30, 2020. The 2020-21 Budget requires the State Superintendent of Public Instruction to develop a template of this plan for use by local educational agencies which will include a description of how such agencies will provide continuity of learning during the pandemic, expenditures related to addressing the impacts of the pandemic, and how such agencies are increasing or improving services in proportion to concentration funding that is received under the LCFF.
- *Employee Protections* – The 2020-21 Budget suspends school districts’ window to lay off teachers and other non-administrative certificated staff, which typically runs from the time the budget is approved by the State Legislature to August 15. The 2020-21 Budget also suspends layoffs of classified staff working in transportation, nutrition and custodial services from July 1, 2020 through June 30, 2021.

For additional information regarding the 2020-21 Budget, see the DOF website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the Legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

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THE DISTRICT

Introduction

The District is located on the Pacific Coast of the County, about 60 miles north of Los Angeles and 35 miles south of Santa Barbara. The District encompasses an area of approximately eight square miles and an estimated population of approximately 58,000 residents, including a large portion of the city of Port Hueneme, a small portion of the city of Oxnard, and adjacent unincorporated areas.

The District is an elementary school district for students in grades K-8. The District currently operates 11 schools, including nine elementary schools and two junior high schools. District enrollment for the 2019-20 school year was 7,948 students. Eighth grade students graduating from the District attend high school in the Oxnard Union High School District (the “High School District”). The District is one of six feeder elementary districts to the High School District.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Hueneme Elementary School District, 205 North Ventura Road, Port Hueneme, California 93041-3065, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

Administration

The District’s Board consists of five elected members. Members are elected at-large to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

BOARD OF TRUSTEES Hueneme Elementary School District

| <u>Board Member</u> | <u>Office</u> | <u>Current Term Expires</u> |
|---------------------|---------------|------------------------------|
| Darlene A. Bruno | President | December 2020 ⁽¹⁾ |
| Siugen Constanza | Clerk | December 2020 ⁽¹⁾ |
| Bexy I. Gomez | Member | December 2022 |
| Scott Swenson | Member | December 2022 |
| Charles Weis, Ph.D. | President | December 2022 |

⁽¹⁾ Running unopposed for reelection in November 2020.

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Christine Walker, Ed.D., is the Superintendent of the District. Patricia Marshall is the Chief Business Official of the District.

Enrollment Trends

Enrollment in the District has increased by 15.3% since 1986-87, representing an average annual compound growth rate of 0.43%. The following table shows the enrollment history for the District.

ANNUAL ENROLLMENT
Fiscal Years 1986-87 Through 2019-20
Hueneme Elementary School District

| Year | Enrollment ⁽¹⁾ | Annual Change | Annual % Change |
|------------------------|---------------------------|---------------|-----------------|
| 1986-87 | 6,889 | -- | -- |
| 1987-88 | 6,963 | 74 | 1.1% |
| 1988-89 | 7,139 | 176 | 2.5 |
| 1989-90 | 7,244 | 105 | 1.5 |
| 1990-91 | 7,252 | 8 | 0.1 |
| 1991-92 | 7,417 | 165 | 2.3 |
| 1992-93 | 7,623 | 206 | 2.8 |
| 1993-94 | 7,608 | -15 | -0.2 |
| 1994-95 | 7,854 | 246 | 3.2 |
| 1995-96 | 8,020 | 166 | 2.1 |
| 1996-97 | 8,076 | 56 | 0.7 |
| 1997-98 | 8,241 | 165 | 2.0 |
| 1998-99 | 8,416 | 175 | 2.1 |
| 1999-00 | 8,547 | 131 | 1.6 |
| 2000-01 | 8,651 | 104 | 1.2 |
| 2001-02 | 8,698 | 47 | 0.5 |
| 2002-03 | 8,648 | -50 | -0.6 |
| 2003-04 | 8,508 | -140 | -1.6 |
| 2004-05 | 8,274 | -234 | -2.8 |
| 2005-06 | 8,208 | -66 | -0.8 |
| 2006-07 | 8,025 | -180 | -2.2 |
| 2007-08 | 8,091 | 66 | 0.8 |
| 2008-09 | 7,983 | -108 | -1.3 |
| 2009-10 | 8,079 | 96 | 1.2 |
| 2010-11 | 8,122 | 43 | 0.5 |
| 2011-12 | 8,250 | 128 | 1.6 |
| 2012-13 | 8,332 | 82 | 1.0 |
| 2013-14 | 8,435 | 103 | 1.2 |
| 2014-15 | 8,393 | -42 | -0.5 |
| 2015-16 | 8,458 | 65 | 0.8 |
| 2016-17 | 8,379 | -79 | -0.9 |
| 2017-18 | 8,429 | 50 | 0.6 |
| 2018-19 | 8,243 | -186 | -2.2 |
| 2019-20 | 7,948 | -295 | -3.6 |
| 2020-21 ⁽²⁾ | 7,778 | -170 | -2.1 |

⁽¹⁾ Enrollment as of October CBEDS in each school year.

⁽²⁾ Budgeted.

Source: *The District*.

Labor Relations

As of January 1, 2020, the District employed 390 certificated employees and 298 classified employees (full-time equivalents). District employees, except management and some part-time employees, are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS Hueneme Elementary School District

| <u>Labor Organization</u> | <u>Number of Employees In Organization</u> | <u>Contract Expiration Date</u> |
|-----------------------------------------|------------------------------------------------|-------------------------------------|
| Hueneme Education Association | 407 | June 30, 2022 |
| California School Employees Association | 429 | June 30, 2022 |

Source: The District.

State Retirement Systems

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 be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

| <u>Effective Date</u> | <u>STRS Members Hired Prior to January 1, 2013</u> | <u>STRS Members Hired After January 1, 2013</u> |
|-----------------------|--------------------------------------------------------|-----------------------------------------------------|
| July 1, 2014 | 8.150% | 8.150% |
| July 1, 2015 | 9.200 | 8.560 |
| July 1, 2016 | 10.250 | 9.205 |

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate was 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% employees hired after the Implementation Date.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)**

| <u>Effective Date</u> | <u>K-14 school districts</u> |
|-----------------------|------------------------------|
| July 1, 2014 | 8.88% |
| July 1, 2015 | 10.73 |
| July 1, 2016 | 12.58 |
| July 1, 2017 | 14.43 |
| July 1, 2018 | 16.28 |
| July 1, 2019 | 18.13 |
| July 1, 2020 | 19.10 |

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 (“SB 90”) into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher’s Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer’s share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment will be reflected in the June 30, 2020 actuarial valuation. Subsequently, the State’s 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate is 16.15% in fiscal year 2020-21 and is projected to be 16.02% in fiscal year 2021-22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget” herein.

The District’s contributions to STRS were \$5,529,605 in fiscal year 2016-17, \$6,458,251 for fiscal year 2017-18, \$7,494,658 for fiscal year 2018-19 and an estimated \$7,491,509 for fiscal year 2019-20. The District has budgeted \$6,910,901 as its contribution to STRS for fiscal year 2020-21.

The State also contributes to STRS, currently in an amount equal to 7.828% for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. The STRS Board approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the “SBPA”), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2019 included 1,612 public agencies and 1,319 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The employer contribution rate for fiscal year 2020-21 is 20.7%, which reflects an initial actuarially determined rate of

23.35% that was reduced by pursuant to SB 90 (discussed below) and further reduced by the State's 2020-21 Budget as a result of the redirection of funds previously appropriated pursuant to SB 90 for long-term unfunded liabilities (discussed above). The State's 2020-21 Budget projects an employer contribution rate of 22.84% in fiscal year 2021-22 See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget" herein. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2019-20 and will be 7% of such salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2019-20 and will be 7% in fiscal year 2020-21. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated \$144 million for fiscal year 2019-20 and \$100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated \$660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 was 19.721%. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget" herein.

The District's contributions to PERS were \$1,501,111 in fiscal year 2016-17, \$1,737,834 for fiscal year 2017-18, \$2,204,848 for fiscal year 2018-19 and an estimated \$2,544,491 for fiscal year 2019-20. The District has budgeted \$2,811,541 as its contribution to PERS for fiscal year 2020-21.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2018-19

| <u>STRS</u> | | | | | |
|--------------------|--------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|-----------------------------------------------|
| <u>Fiscal Year</u> | <u>Accrued Liability</u> | <u>Value of Trust Assets (MVA)⁽²⁾</u> | <u>Unfunded Liability (MVA)⁽²⁾</u> | <u>Value of Trust Assets (AVA)⁽³⁾</u> | <u>Unfunded Liability (AVA)⁽³⁾</u> |
| 2010-11 | \$208,405 | \$147,140 | \$68,365 | \$143,930 | \$64,475 |
| 2011-12 | 215,189 | 143,118 | 80,354 | 144,232 | 70,957 |
| 2012-13 | 222,281 | 157,176 | 74,374 | 148,614 | 73,667 |
| 2013-14 | 231,213 | 179,749 | 61,807 | 158,495 | 72,718 |
| 2014-15 | 241,753 | 180,633 | 72,626 | 165,553 | 76,200 |
| 2015-16 | 266,704 | 177,914 | 101,586 | 169,976 | 96,728 |
| 2016-17 | 286,950 | 197,718 | 103,468 | 179,689 | 107,261 |
| 2017-18 | 297,603 | 211,367 | 101,992 | 190,451 | 107,152 |
| 2018-19 | 310,719 | 225,466 | 102,636 | 205,016 | 105,703 |

| <u>PERS</u> | | | | | |
|------------------------|--------------------------|------------------------------------|---------------------------------|--------------------------------------------------|-----------------------------------------------|
| <u>Fiscal Year</u> | <u>Accrued Liability</u> | <u>Value of Trust Assets (MVA)</u> | <u>Unfunded Liability (MVA)</u> | <u>Value of Trust Assets (AVA)⁽³⁾</u> | <u>Unfunded Liability (AVA)⁽³⁾</u> |
| 2010-11 | \$58,358 | \$45,901 | \$12,457 | \$51,547 | \$6,811 |
| 2011-12 | 59,439 | 44,854 | 14,585 | 53,791 | 5,648 |
| 2012-13 | 61,487 | 49,482 | 12,005 | 56,250 | 5,237 |
| 2013-14 | 65,600 | 56,838 | 8,761 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2014-15 | 73,325 | 56,814 | 16,511 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2015-16 | 77,544 | 55,785 | 21,759 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2016-17 | 84,416 | 60,865 | 23,551 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2017-18 | 92,071 | 64,846 | 27,225 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |
| 2018-19 ⁽⁵⁾ | 99,528 | 68,177 | 31,351 | -- ⁽⁴⁾ | -- ⁽⁴⁾ |

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

⁽⁴⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

⁽⁵⁾ On April 21, 2020, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2020-21 and released certain actuarial information to be incorporated into the June 30, 2019 actuarial valuation to be released in the latter half of 2020.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the “2017 Experience Analysis”), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member’s increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the “2016 STRS Actuarial Valuation”). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30,

2017 actuarial evaluation (the “2017 STRS Actuarial Valuation”), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by \$1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the \$1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein.

In recent years, the PERS Board of Administration (the “PERS Board”) has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the

following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 21, 2020, the PERS Board established the employer contribution rates for 2020-21 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2019, ahead of its release date in the latter half of 2020. From June 30, 2018 to June 30, 2019 the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%); mainly due to the reduction in the discount rate from 7.25% to 7.00% and investment return in 2018-19 being lower than expected. The funded status as

of June 30, 2019 does not reflect the State's additional payment of \$660 million that was made pursuant to SB 90, since PERS received the payment in July 2019. PERS attributes the decline in the funded status over the last five years to recent investment losses in excess of investment gains, adoption of new assumptions, both demographic and economic, lowering of the discount rate, and negative amortization. Assuming all actuarial assumptions are realized, including investment return of 7% in fiscal year 2019-20, that no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the contribution rate was projected to increase annually, resulting in a projected 26.2% employer contribution rate for fiscal year 2026-27. As of the April 21, 2020, PERS reported that the year to date return for the 2019-20 fiscal year was well below the 7% assumed return.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for

certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

Proportionate Share of Net Pension Liabilities. The District’s proportionate shares of the net pension liabilities for STRS and PERS, as of June 30, 2019, are as shown in the following table.

| <u>Pension Plan</u> | <u>Proportionate Share of Net Pension Liability</u> |
|---------------------|-----------------------------------------------------|
| STRS | \$76,823,475 |
| PERS | <u>23,777,959</u> |
| Total | \$100,601,434 |

Source: The District.

For additional information regarding the District’s pension liabilities, see Note 8 to the fiscal year 2018-19 audited financial statements of the District included in Appendix A hereto.

Post-Employment Benefits

The District provides post-employment medical, dental and vision insurance benefits to certain eligible employees through a single-employer defined benefit healthcare plan (the “Plan”). The District currently funds the Plan on a pay-as-you-go basis. The most recent actuarial report for the Plan produced a valuation as of July 1, 2018. As of June 30, 2019, the District had a total OPEB liability in respect of the Plan of \$22,168,697. For additional information regarding the Plan and its funding, see Note 7 to the fiscal year 2018-19 audited financial statements of the District included in Appendix A hereto.

In addition to the Plan, the District participates in the Medicare Premium Payment (“MPP”) Program, a cost-sharing multiple-employer other postemployment benefits program administered by STRS through the Teachers’ Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for certain eligible individuals who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. As of June 30, 2019, the District’s proportionate share of the MPP Program OPEB liability was reported as \$503,137. See Note 7 to the fiscal year 2018-19 audited financial statements of the District included in Appendix A hereto.

Joint Powers Authorities

The District participates in joint ventures under joint powers agreements with the Ventura County Schools Self-Funding Authority (the “VCSSFA”), the Gold Coast Joint Benefits Trust (the “GCJBT”), and the Ventura County Fast Action School Transit Authority (the “VCFAST”) (together, the “JPAs”). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The VCSSFA arranges for and provides worker's compensation, fire, property, and liability insurance for the District. The GCJBT arranges for and provides medical, dental, and vision care coverage for the District. The VCFast provides courier service between member districts and the Ventura County Office of Education. The JPAs are governed by independent boards consisting of representatives from each member district. The respective boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the respective boards.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of ad valorem taxes required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment."

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide COLAs and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans, as described below. See " – Local Control Funding Formula."

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the 2013-14 State budget, established the current system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment has been calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school 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.

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal

year 2013-14, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget” for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for 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 early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a “Supplemental Grant”) for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table below shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2012-13 through 2019-20 and budgeted figures for fiscal year 2020-21.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Hueneme Elementary School District
Fiscal Years 2012-13 through 2020-21

| <u>Fiscal Year</u> | <u>Average Daily Attendance⁽¹⁾</u> | | | <u>Enrollment⁽²⁾</u> | | |
|------------------------|-----------------------------------------------|------------|------------|---------------------------------|-------------------------|--------------------------------------------|
| | <u>TK-3</u> | <u>4-6</u> | <u>7-8</u> | <u>Total ADA</u> | <u>Total Enrollment</u> | <u>% of EL/LI Enrollment⁽³⁾</u> |
| 2012-13 | 3,912 | 2,483 | 1,505 | 7,900 | 8,332 | n/a |
| 2013-14 | 4,025 | 2,596 | 1,556 | 8,177 | 8,442 | 86% |
| 2014-15 | 3,929 | 2,699 | 1,563 | 8,191 | 8,393 | 86 |
| 2015-16 | 3,829 | 2,785 | 1,555 | 8,169 | 8,458 | 83 |
| 2016-17 | 3,683 | 2,845 | 1,618 | 8,146 | 8,379 | 89 |
| 2017-18 | 3,676 | 2,779 | 1,679 | 8,134 | 8,429 | 89 |
| 2018-19 | 3,530 | 2,614 | 1,815 | 7,959 | 8,250 | 86 |
| 2019-20 | 3,377 | 2,557 | 1,758 | 7,692 | 7,948 | 87 |
| 2020-21 ⁽⁴⁾ | 3,298 | 2,595 | 1,668 | 7,561 | 7,778 | 85 |

Note: ADA figures rounded to the nearest whole number.

- (1) Reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district.
- (2) Enrollment for fiscal year 2012-13 is reported as of the October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 and onward reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students.
- (3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students has been based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
- (4) Budgeted.

Source: *The District*.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Community Supported Districts. Certain schools districts, known as “community supported” districts (or, previously, as “basic aid” districts), have allocable local property tax collections that equal or

exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community supported school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community supported districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not qualify as a community supported district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period were required to be adopted beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a State agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or

rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including specialized programs such as the Every Student Succeeds Act, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district’s budget can come from local sources other than property taxes, including but not limited to interest income, leases and rentals, interagency services, developer fees, foundations, donations and sales of property.

The California lottery is another source of funding for school districts, providing approximately 1% to 3% of a school district’s budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

Considerations Regarding COVID-19

An outbreak of disease or similar public health threat, such as the current coronavirus (“COVID 19”) outbreak, or fear of such an event, could have an adverse impact on the District’s financial condition and operating results.

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriates over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments.

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. In addition, the Governor of the State has enacted Executive Order N-26-20 (“Executive Order N-26-20”), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to

fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which took effect immediately. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriates \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the “Stay Home Order”). Consistent with recommendations made by the County Office of Education, the District’s schools closed for the remainder of the 2019-20 academic year.

On May 4, 2020, the Governor enacted Executive Order N-60-20 (“Executive Order N-60-20”), which directs the State Public Health Officer to establish criteria to determine whether and how particular local jurisdictions may implement public health measures that are less restrictive than statewide directives, as the State transitions from Stage 1 to Stage 2, and then Stage 3 of reopening. The stages will be phased in gradually, and counties which have met readiness criteria and worked with the State Department of Public Health can open more public spaces and workplaces, as outlined by the State, with variances allowed by county. The State is currently in early Stage 2, where retail, related logistics and manufacturing, office workplaces, limited personal services, outdoor museums, child care, and essential businesses can open with modifications. The State will continue to issue guidance to assist workplaces to reopen safely. Pursuant to Executive Order N-60-20, local jurisdictions may issue their own public health measures to slow the spread of COVID-19.

On June 29, 2020, Senate Bill 98 (“SB 98”), the education omnibus bill to the 2020-21 State Budget, was signed by the Governor, which takes effect immediately. SB 98 provides that distance learning may be offered by a school district during the 2020-21 academic year on a local educational agency or schoolwide level as a result of an order or guidance from a State public health officer or a local public health officer or for pupils who are medically fragile or would be put at risk by in-person instruction, or who are self-quarantining because of exposure to COVID-19. SB 98 provides requirements for distance learning, including, but not limited to: (i) confirmation or provision of access for all pupils to connectivity and devices adequate to participate in the educational program and complete assigned work, (ii) content aligned to grade level standards that is provided at a level of quality and intellectual challenge substantially equivalent to in-person instruction, (iii) support for pupils who are not performing at grade level or need support in other areas, (iv) special education services, (v) designated and integrated instruction in English language development for English learners, and (vi) daily live interaction with certificated employees and peers. For additional information about the provisions of

SB 98, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget” herein.

On July 17, 2020, as amended on August 3, 2020, the Governor released guidelines for the reopening of schools and school based programs, which tracked the level of COVID-19 infections in a community as well as the preparedness of the community’s healthcare system. Under the guidelines, any county that did not meet certain benchmarks was to be put on a County Monitoring List (the “Monitoring List”) and schools in counties on the County Monitoring List could not open for in-person instruction. An exception was made for elementary schools granted waivers by their local health department. Once a county had been off the Monitoring List for 14 consecutive days, schools meeting certain criteria could begin a phased reopening pursuant to the guidelines. If 5% of students and staff tested positive within a 14-day period a school would be required to revert to distance learning, and if 25% or more of schools within a school district had been closed due to COVID-19 during a 14-day period, the entire school district would be required to revert to distance learning. Schools could then resume in-person instruction after 14 days with the approval of the local public health officer.

On August 28, 2020, the Governor released a new system, “Blueprint for a Safer California,” which places the State’s 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties must spend at least three weeks in each tier before advancing to the next one. The guidelines for reopening schools summarized above remain in effect, except that the purple tier is substituted for the Monitoring List. The County is currently assigned to the purple tier. Accordingly, schools within the County are currently required to conduct distance learning unless they have been granted a waiver by the local health department.

As a result of the outbreak of COVID-19, the District closed its schools for in-person learning in March 2020 and implemented distance learning programs for its students for the remainder of the 2019-20 school year. The District opened the 2020-21 academic year in a distance learning environment because the County was on the Monitoring List. District schools remain closed for in-person instruction because the County is assigned to the purple tier. If certain conditions are met, the Board may apply for waivers with the County Department of Public Health that would permit the District to open schools before the County has moved out of the purple tier. If the District does not pursue such waivers, or if such waivers are not granted, District schools cannot reopen for in-person learning until the County has been in the red tier or a lower tier for two weeks. When in-person learning resumes, the District plans to offer the option of a hybrid/blended instruction model to students that opt for in-person instruction, while continuing to offer 100% distance learning through the District’s Hueneme at Home Digital Learning Academy. Students in the hybrid/blended program would be split into two cohorts, with students in each cohort attending in-person instruction two days a week, and continuing distance learning three days a week. The District will continue to evaluate the State’s school reopening guidelines and will consult with local health officials and the State’s school reopening guidelines in implementing the District’s plans for the 2020-21 academic year. The District has received funds in the amount of \$8,683,039 pursuant to the CARES Act and \$138,284 pursuant to SB 117.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District’s schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales and real estate development. See “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District’s required contribution rates in future fiscal years. See also “THE DISTRICT – State Retirement Systems” herein.

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

The ultimate impact of COVID-19 on the District’s operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or ADA within the District and, notwithstanding Executive Order N-26-20 or SB 117, materially adversely impact the financial condition or operations of the District. See also “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”), which, together with ABx1 26, is referred to herein as the “Dissolution Act.” The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller’s cost to administer

the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund (“Trust Fund”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) (“AB 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the monies received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received . . . had the redevelopment agency existed at that time,” and that the county auditor-controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved using current assessed values . . . and pursuant to statutory formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

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.

The District's 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. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. 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 District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The fiscal year for the District begins on July 1 and ends on June 30.

Financial Statements

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. Audited financial statements of the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the Hueneme Elementary School District, 205 North Ventura Road, Port Hueneme, California 93041-3065, telephone: (805) 488-3588. The audited financial statements of the District for the year ended June 30, 2019 are included in Appendix A hereto.

A comparison of the District's audited general fund revenues, expenditures and changes in fund balances from fiscal years 2014-15 through fiscal year 2018-19 is set forth in the following table.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund
Fiscal Years 2014-15 through 2018-19⁽¹⁾
Hueneme Elementary School District

| | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18⁽²⁾</u> | <u>2018-19⁽²⁾</u> |
|-----------------------------------------|-------------------|-------------------|-------------------|------------------------------|------------------------------|
| REVENUES | | | | | |
| LCFF Sources | \$61,693,301 | \$72,529,965 | \$77,994,833 | \$80,310,789 | \$87,240,338 |
| Federal sources | 4,407,301 | 4,589,252 | 4,444,126 | 4,123,536 | 5,165,059 |
| Other State sources | 6,408,154 | 8,630,524 | 4,860,306 | 10,475,781 | 13,386,690 |
| Other Local sources | <u>5,330,229</u> | <u>5,454,330</u> | <u>5,514,589</u> | <u>6,805,321</u> | <u>5,924,774</u> |
| Total Revenues | 77,838,985 | 91,204,071 | 92,813,854 | 101,715,427 | 111,716,861 |
| EXPENDITURES | | | | | |
| Instruction | 51,594,684 | 56,674,025 | 61,687,837 | 65,572,431 | 70,709,213 |
| Instruction - Related Services | 8,730,477 | 10,576,692 | 11,315,126 | 11,442,998 | 12,703,195 |
| Pupil Services | 4,027,661 | 5,079,100 | 5,568,204 | 5,791,692 | 6,458,965 |
| Community Services | 622,516 | 546,263 | 576,174 | 611,058 | 579,207 |
| General Administration | 3,308,645 | 3,775,878 | 3,982,968 | 4,644,177 | 4,310,978 |
| Plant Services | 8,680,390 | 8,062,942 | 10,253,415 | 8,402,087 | 9,190,749 |
| Other outgo | 1,946,974 | 2,499,942 | 2,935,976 | 4,331,921 | 5,306,492 |
| Debt Service | -- | -- | -- | -- | -- |
| Total Expenditures | <u>78,911,347</u> | <u>87,214,842</u> | <u>96,319,700</u> | <u>100,796,364</u> | <u>109,258,799</u> |
| Net Changes in Fund Balances | (1,072,362) | 3,989,229 | (3,505,846) | 919,063 | 2,458,062 |
| Fund Balance – Beginning of Year | <u>10,678,318</u> | <u>9,605,956</u> | <u>13,595,185</u> | <u>10,089,339</u> | <u>11,008,402</u> |
| Fund Balances – End of Year | \$9,605,956 | \$13,595,185 | \$10,089,339 | \$11,008,402 | \$13,466,464 |

⁽¹⁾ For the District’s fiscal year 2019-20 estimated actual general fund unaudited revenues, expenditures and changes in fund balances, see “– General Fund Budgets” below.

⁽²⁾ Due to a change in auditor and audit format, these columns present summary information from the applicable audited financial statements, with some expenditure items reorganized to provide a comparison in similar format to prior years. See Appendix A hereto.

Source: *The District.*

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget’s ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved.

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Report pursuant to AB 1200. The District self-reported a "qualified" certification of its Second Interim Report in fiscal year 2009-10. The District has received "positive" certifications for every subsequent Interim Report.

General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2018 through June 30, 2021, actual results for the fiscal years ending June 30, 2018 and June 30, 2019, and unaudited actual results for the fiscal year ending June 30, 2020, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FISCAL YEARS ENDING JUNE 30, 2018 THROUGH JUNE 30, 2021 Hueneme Elementary School District

| | 2017-18 Budget ⁽¹⁾ | 2017-18 Actual ⁽²⁾ | 2018-19 Budget ⁽¹⁾ | 2018-19 Actual ⁽²⁾ | 2019-20 Budget ⁽³⁾ | 2019-20 Unaudited ⁽⁴⁾ | 2020-21 Budget ⁽⁵⁾ |
|-----------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| REVENUES | | | | | | | |
| LCFF Sources | \$80,444,877 | \$80,310,789 | \$87,074,124 | \$87,240,338 | \$87,714,188 | \$87,738,004 | \$84,812,528 |
| Federal Revenue | 4,109,981 | 4,123,536 | 4,340,586 | 5,165,059 | 4,693,641 | 3,859,293 | 5,618,470 |
| Other State Sources | 2,974,127 | 6,770,908 | 5,896,079 | 13,386,690 | 3,197,350 | 5,267,983 | 3,100,061 |
| Other Local Sources | <u>6,097,007</u> | <u>6,805,321</u> | <u>5,010,584</u> | <u>5,924,774</u> | <u>4,434,215</u> | <u>6,329,410</u> | <u>5,662,968</u> |
| Total Revenues | 93,625,992 | 98,010,554 | 102,321,373 | 111,716,861 | 100,039,394 | 103,194,690 | 99,194,027 |
| Expenditures | | | | | | | |
| Certificated Salaries | 45,225,416 | 45,928,488 | 46,863,654 | 47,600,603 | 47,429,434 | 47,948,106 | 43,810,823 |
| Classified Salaries | 11,738,383 | 12,665,473 | 12,860,122 | 13,365,377 | 13,540,087 | 14,012,027 | 13,731,223 |
| Employee Benefits | 21,150,951 | 21,629,268 | 23,066,785 | 30,597,787 | 24,085,738 | 24,815,661 | 22,488,682 |
| Books and Supplies | 5,370,985 | 4,221,966 | 5,037,820 | 4,357,448 | 5,196,895 | 4,756,741 | 5,603,333 |
| Contracted Services | 6,894,066 | 8,198,102 | 8,241,920 | 7,868,625 | 8,117,619 | 7,709,510 | 7,869,078 |
| Capital Outlay | -- | 917,284 | 140,000 | 2,026,952 | -- | 387,596 | -- |
| Intergovernmental/Other outgo | 2,960,000 | 3,728,946 | 3,637,397 | 3,620,889 | 2,950,000 | 3,833,701 | 3,700,000 |
| Direct Support - Indirect Costs | <u>(198,036)</u> | <u>(198,036)</u> | <u>(194,641)</u> | <u>(178,882)</u> | <u>(229,665)</u> | <u>(219,906)</u> | <u>(158,418)</u> |
| Total Expenditures | 93,141,765 | 97,091,491 | 99,653,057 | 109,258,799 | 101,090,108 | 103,243,434 | 97,044,721 |
| Net Change in Fund Balances | 484,227 | 919,063 | 2,668,316 | 2,458,062 | (1,050,714) | (48,744) | 2,149,306 |
| Fund Balance – Beginning of Year | <u>10,089,339</u> | <u>10,089,339</u> | <u>9,673,345</u> | <u>11,008,402</u> | <u>9,357,230</u> | <u>13,466,464</u> | <u>10,822,951</u> |
| Fund Balance – Ending of Year | \$10,573,566 | \$11,008,402 | \$12,341,661 | \$13,466,464 | \$8,306,516 | \$13,417,720 | \$12,972,257 |

⁽¹⁾ Original general fund budget, as reflected in audited financial statements of the District for the years shown.

⁽²⁾ Audited actual results.

⁽³⁾ Adopted budget.

⁽⁴⁾ Unaudited actual fiscal year 2019-20 results.

⁽⁵⁾ Based on 45-day budget revision.

Source: *The District*.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in District's long-term debt (other than pensions) for the fiscal year ended June 30, 2019, is shown below:

| | Balance June 30, 2018 | Additions | Deductions | Balance June 30, 2019 |
|----------------------------------------------|--------------------------|------------------|------------------|--------------------------|
| General Obligation Bonds: | | | | |
| Principal Payments | \$34,987,102 | \$12,000,000 | \$1,550,332 | \$45,436,770 |
| Accreted Interest | 3,886,801 | 376,926 | 414,668 | 3,849,059 |
| Unamortized Issuance Premium | <u>1,957,857</u> | <u>724,705</u> | <u>136,507</u> | <u>2,546,055</u> |
| Total General Obligation Bonds | 40,831,760 | 13,101,631 | 2,101,507 | 51,831,884 |
| Compensated Absences | 477,213 | 34,326 | -- | 511,539 |
| Other Postemployment Benefits ⁽¹⁾ | <u>22,940,212</u> | <u>2,826,104</u> | <u>3,094,482</u> | <u>22,671,834</u> |
| Total ⁽²⁾ | \$64,249,185 | \$15,962,061 | \$5,195,989 | \$75,015,257 |

⁽¹⁾ See "THE DISTRICT – Post-Employment Benefits."

⁽²⁾ Does not reflect pension liabilities. See "THE DISTRICT – State Retirement Systems – Proportionate share of Net Pension Liability."

Source: *The District*.

General Obligation Bonds. The District received authorization at an election held on March 4, 1997, by an affirmative vote of 75% of the votes cast by eligible voters within the District, to issue not to exceed \$4,700,000 of general obligation bonds (the “1997 Authorization”). On June 18, 1998, the District issued an aggregate principal amount of \$2,085,011.00 of its General Obligation Bonds, 1997 Election, Series A (the “1997 Election, Series A Bonds”) pursuant to the 1997 Authorization. On May 6, 1999, the District issued an aggregate principal amount of \$2,611,156.40 of its General Obligation Bonds, 1997 Election, Series B (the “1997 Election, Series B Bonds”) pursuant to the 1997 Authorization. Approximately \$3,832 remains available under the 1997 Authorization.

The District received authorization at an election held on June 6, 2000, by an affirmative vote of 70.6% of the votes cast by eligible voters within the District, to issue not to exceed \$6,950,000 of general obligation bonds (the “2000 Authorization”). On November 16, 2000, the District issued an aggregate principal amount of \$3,385,000.00 of its General Obligation Bonds, 2000 Election, Series A (the “2000 Election, Series A Bonds”) pursuant to the 2000 Authorization. On June 18, 2002, the District issued an aggregate principal amount of \$3,563,544.55 of its General Obligation Bonds, 2000 Election, Series B (the “2000 Election, Series B Bonds”) pursuant to the 2000 Authorization. Approximately \$1,455 remains available under the 2000 Authorization.

On October 11, 2011, the District issued an aggregate principal amount of \$3,980,000 of its 2011 General Obligation Refunding Bonds (the “2011 Refunding Bonds”), proceeds of which were used to refund certain maturities of each of the 2000 Election, Series A Bonds and the 2000 Election, Series B Bonds.

The District received authorization at an election held on November 2, 2004, by an affirmative vote of 74.0% of the eligible voters within the District, to issue not to exceed \$17,100,000 of general obligation bonds (the “2004 Authorization”). On July 28, 2005, the District issued an aggregate principal amount of \$9,500,000.00 of its General Obligation Bonds, 2004 Election, Series A (the “2004 Election, Series A Bonds”) pursuant to the 2004 Authorization. Pursuant to the 2004 Authorization, on August 9, 2007, the District issued an aggregate principal amount of \$7,599,996.25 of its General Obligation Bonds, 2004 Election, Series B (the “2004 Election, Series B Bonds”). Approximately \$3 remains available under the 2004 Authorization. On May 2, 2014, the District issued an aggregate principal amount of \$8,700,000 of its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) through a private placement, proceeds of which were used to refund certain maturities of the 2004 Election, Series A Bonds. On June 28, 2017, the District issued an aggregate principal amount of \$4,675,000 of its 2017 General Obligation Refunding Bonds (the “2017 Refunding Bonds”), proceeds of which were used to refund certain maturities of the 2004 Election, Series B Bonds.

The District received authorization at an election held on November 6, 2012, by an affirmative vote of 76.4% of the eligible voters within the District, to issue not to exceed \$19,600,000 of general obligation bonds (the “2012 Authorization”). On May 16, 2013, the District issued an aggregate principal amount of \$4,000,000 of its General Obligation Bonds, 2012 Election, Series A (the “2012 Election, Series A Bonds”), pursuant to the 2012 Authorization. On February 3, 2015, the District issued an aggregate principal amount of \$11,000,000 of its General Obligation Bonds, 2012 Election, Series B (the “2012 Election, Series B Bonds”), pursuant to the 2012 Authorization. See “THE BONDS – Authority for Issuance. On June 28, 2017, the District issued an aggregate principal amount of \$4,600,000 of its General Obligation Bonds, 2012 Election, Series C (the “2012 Election, Series C Bonds”), pursuant to the 2012 Authorization.

On June 11, 2019, the District issued an aggregate principal amount of \$12,000,000 of its General Obligation Bonds, 2018 Election, Series A (the “2018 Election, Series A Bonds”), pursuant to the 2018 Authorization.

The table on the following page presents the annual debt service requirements on all of the District's outstanding general obligation bonded debt, including the Bonds, assuming no optional redemptions of such bonds.

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AGGREGATE ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT⁽¹⁾
Hueneme Elementary School District

| Year Ending (August 1) | 1997 Election Series A ⁽²⁾ | 1997 Election Series B ⁽³⁾ | 2000 Election Series B ⁽⁴⁾ | 2004 Election Series B | 2011 Refunding | 2012 Election Series A ⁽⁵⁾ | 2014 Refunding | 2012 Election Series B ⁽⁵⁾ | 2012 Election Series C | 2017 Refunding | 2018 Election Series A | 2018 Election Series B | 2020 Refunding | Total Annual Debt Service |
|---------------------------|------------------------------------------|------------------------------------------|------------------------------------------|---------------------------|-------------------|------------------------------------------|-------------------|------------------------------------------|---------------------------|-------------------|---------------------------|---------------------------|-------------------|------------------------------|
| 2021 | \$185,000 | \$225,000 | \$305,000 | -- | \$276,825 | \$45,800 | \$728,850 | \$408,550 | \$448,200 | \$444,800 | \$1,445,900 | \$585,215 | \$269,712 | \$5,368,852 |
| 2022 | 190,000 | 225,000 | 310,000 | -- | 282,825 | 54,200 | 762,113 | 423,000 | 461,000 | 468,200 | 514,300 | 699,925 | 250,592 | 4,641,154 |
| 2023 | 190,000 | 230,000 | 315,000 | -- | 285,625 | 57,200 | 793,750 | 444,800 | 477,800 | 485,200 | 461,800 | 699,925 | 250,107 | 4,691,207 |
| 2024 | -- | 235,000 | 320,000 | -- | 292,500 | -- | 823,763 | 470,400 | 488,400 | 501,000 | 476,550 | 699,925 | 304,511 | 4,612,048 |
| 2025 | -- | -- | 330,000 | -- | 299,250 | -- | 857,150 | 489,600 | 508,000 | 525,600 | 495,300 | 699,925 | 313,255 | 4,518,080 |
| 2026 | -- | -- | 335,000 | -- | -- | -- | 893,750 | 512,600 | 521,200 | 543,600 | 512,800 | 699,925 | 321,680 | 4,340,555 |
| 2027 | -- | -- | 340,000 | -- | -- | -- | 928,400 | 539,200 | 538,200 | 565,200 | 529,050 | 699,925 | 319,532 | 4,459,507 |
| 2028 | -- | -- | -- | -- | -- | -- | 966,100 | 559,200 | 558,800 | 585,200 | 544,050 | 699,925 | 327,136 | 4,240,411 |
| 2029 | -- | -- | -- | -- | -- | -- | 1,006,688 | 587,800 | 332,800 | 613,600 | 562,800 | 699,925 | 329,133 | 4,132,746 |
| 2030 | -- | -- | -- | \$1,700,000 | -- | -- | -- | 609,600 | -- | -- | 580,050 | 699,925 | 335,864 | 3,925,439 |
| 2031 | -- | -- | -- | 1,755,000 | -- | -- | -- | 639,800 | -- | -- | 598,650 | 699,925 | 337,224 | 4,030,599 |
| 2032 | -- | -- | -- | 1,830,000 | -- | -- | -- | 663,450 | -- | -- | 621,050 | 699,925 | 347,078 | 4,161,503 |
| 2033 | -- | -- | -- | -- | -- | -- | -- | 690,900 | -- | -- | 637,050 | 1,479,925 | 346,536 | 3,154,411 |
| 2034 | -- | -- | -- | -- | -- | -- | -- | 717,000 | -- | -- | 661,850 | 1,608,725 | 355,862 | 3,343,437 |
| 2035 | -- | -- | -- | -- | -- | -- | -- | 746,750 | -- | -- | 680,050 | 1,666,125 | 364,792 | 3,457,717 |
| 2036 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 701,850 | 1,719,725 | 1,078,327 | 3,499,902 |
| 2037 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 727,050 | 1,774,525 | 1,107,861 | 3,609,436 |
| 2038 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 750,450 | 1,830,325 | 1,140,943 | 3,721,718 |
| 2039 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 772,050 | 1,891,925 | 1,176,362 | 3,840,337 |
| 2040 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 796,850 | 1,953,925 | -- | 2,750,775 |
| 2041 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 826,450 | 2,016,125 | -- | 2,842,575 |
| 2042 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 849,550 | 2,083,325 | -- | 2,932,875 |
| 2043 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 881,300 | 2,145,125 | -- | 3,026,425 |
| 2044 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 906,400 | 2,221,000 | -- | 3,127,400 |
| 2045 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 3,228,750 | -- | 3,228,750 |
| Totals ⁽⁶⁾ | \$565,000 | \$915,000 | \$2,255,000 | \$5,285,000 | \$1,437,025 | \$157,200 | \$7,760,563 | \$8,502,650 | \$4,334,400 | \$4,732,400 | \$16,533,200 | \$33,903,915 | \$9,276,506 | \$95,657,858 |

(1) Figures rounded to the dollar.
(2) Final maturity is June 1, 2023.
(3) Final maturity is May 1, 2024.
(4) Final maturity is June 1, 2027.
(5) Excludes the Refunded Bonds.
(6) Figures may not sum to totals due to rounding.

TAX MATTERS

Series B Bonds

The following discussion of federal income tax matters written to support the promotion and marketing of the Series B Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Tax Exemption. In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest in the Series B Bonds is excluded from gross income for federal income tax purposes under the Code. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Series B Resolution to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series B Bonds. The Series B Resolution and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Series B Bonds.

In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State personal income taxation.

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

The form of the proposed opinion of Bond Counsel relating to the Series B Bonds is attached to this Official Statement in "APPENDIX B – PROPOSED FORMS OF OPINION OF BOND COUNSEL."

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

affect the market price for, or the marketability of, the Series B Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

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

The Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Series B Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series B Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations the amount of tax-exempt interest received, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Series B Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Series B Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of, or marketability of, the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

As discussed herein, interest on the Series B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series B Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Series B Resolution. Should such an event of taxability occur, the Series B Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Series B Resolution.

Backup Withholding. Interest paid with respect to tax-exempt obligations such as the Series B Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. In addition, interest with respect to the Series B Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the Internal Revenue Service or (b) has been identified by the Internal Revenue Service as being subject to backup withholding.

Refunding Bonds

The following discussion of federal income tax matters written to support the promotion and marketing of the Refunding Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Tax Exemption. In the opinion of Bond Counsel, interest on the Refunding Bonds is exempt from personal income taxation imposed by the State of California. In the opinion of Bond Counsel, interest on the Refunding Bonds is included in gross income of the owners thereof for federal income tax purposes.

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

Certain requirements and procedures contained or referred to in the Refunding Bonds Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Refunding Bond or the interest thereon if any such change occurs or action is taken upon advice or approval of bond counsel other than Bond Counsel.

The form of the proposed opinion of Bond Counsel relating to the Refunding Bonds is attached to this Official Statement in "APPENDIX B – PROPOSED FORMS OF OPINION OF BOND COUNSEL."

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Refunding Bonds and to rendering an opinion as to the validity of the Refunding Bonds and that interest on the Refunding Bonds is exempt from State of California personal income taxation. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Refunding Bonds and expresses no opinion relating thereto.

Original Issue Discount; Premium Bonds. The initial public offering price of the Refunding Bonds in some cases may be less than the amount payable with respect to such Refunding Bonds at maturity.

Purchasers should consult their personal tax advisors with respect to the determination for income tax purposes of the amount of original issue discount properly accruable with respect to the Refunding

Bonds, other income tax consequences of owning taxable obligations with original issue discount and any state and local consequences of owning the Refunding Bonds.

Impact of Legislative Proposals and Court Decisions on the Tax Status of the Refunding Bonds. Current and future legislative proposals if enacted into law or court decisions may prevent Owners of the Refunding Bonds from realizing the full current benefit of the tax status of interest paid on the Refunding Bonds (as stated herein).

The introduction or enactment of any such current and future legislative proposals or court decisions may also affect the market price for, liquidity of or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by April 1 following the end of the District’s fiscal year (the District’s fiscal year ends on June 30), commencing with the report for the 2019-20 fiscal year (which is due not later than April 1, 2021), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Within the past five years, the District failed to timely file a notice of a listed event (change of rating related to the downgraded rating of a bond insurer), as required by its continuing disclosure undertaking with respect to its outstanding 1997 Election, Series B Bonds. The District has retained Isom Advisors, a Division of Urban Futures, Inc., as the District’s dissemination agent (“Dissemination Agent”) to assist the District with compliance with its continuing disclosure obligations, including with respect to the Bonds. The Dissemination Agent has assisted the District in filing certain information with respect to its prior obligations under the Rule and continues to work with the District in establishing and maintaining the necessary safeguards to assist in the timely filing of required information going forward.

Legality for Investment in California

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, are eligible for security for deposits of public moneys in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the levy or collection of *ad valorem* taxes to pay the principal of and interest on the

Bonds, or the ability of the District to collect other revenues or contesting the District's ability to issue and retire the Bonds.

The District is occasionally subject to lawsuits and claims in the ordinary course of its operations. 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 finances of the District.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinions of Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California, as Bond Counsel. Copies of the proposed forms of such legal opinions are attached to this Official Statement as Appendix B.

Escrow Verification

Upon delivery of the Bonds, Causey Demgen & Moore P.C., Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the adequacy of the amounts in the Escrow Fund to pay the redemption price of and accrued interest on the Refunded Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 21, 2019, of Nigro & Nigro, PC (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the reports of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its reports.

RATINGS

The Bonds are expected to be assigned a rating of "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. The Bonds have also been assigned an underlying rating of "A+" by S&P.

Such ratings reflect only the views of the rating organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption "LEGAL MATTERS – Continuing Disclosure" above and

“APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to S&P, its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Series B Bonds at a price of \$21,876,479.99, which is equal to the principal amount of the Series B Bonds of \$20,200,000.00, plus net original issue premium of \$1,855,459.00, less the Underwriter’s discount of \$101,000.00 and less an amount of \$77,979.01 for the premium on the Policy. The Bond Purchase Agreement for the Series B Bonds provides that the Underwriter will purchase all of the Series B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter has agreed to purchase the Refunding Bonds at a price of \$6,746,484.04, which is equal to the principal amount of the Refunding Bonds of \$6,795,000.00, less the Underwriter’s discount of \$27,180.00 and less an amount of \$21,335.96 for the premium on the Policy. The Bond Purchase Agreement for the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

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

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from the District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District’s Board of Trustees.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only 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, beneficial or otherwise, of any of the Bonds.

HUENEME ELEMENTARY SCHOOL DISTRICT

By /s/ Christine Walker, Ed.D.
Superintendent

APPENDIX A

FISCAL YEAR 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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**HUENEME ELEMENTARY SCHOOL DISTRICT
VENTURA COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019**



HUENEME ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

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HUENEME ELEMENTARY SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Hueneme Elementary School District
Port Hueneme, 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 Hueneme Elementary School District, as of and for the fiscal 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

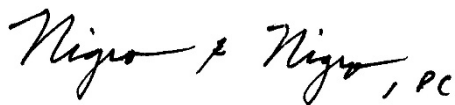
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 61 to 64 and the schedule of expenditures of federal awards on page 65 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 60 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 October 21, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
October 21, 2019

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

This discussion and analysis of Hueneme Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$2.9 million, or 4.6%.
- Governmental expenses were about \$110.2 million. Revenues were about \$107.3 million.
- The District acquired over \$3.8 million in new capital assets during the year. These additions were incurred primarily from general obligation bonds.
- The District increased its outstanding long-term debt by \$10.7 million. This was primarily due to the issuance of general obligation bonds.
- Grades K-12 average daily attendance (ADA) decreased by 195, or 2.4%.
- Governmental funds increased by \$14.1 million, or 71.5%.
- Reserves for the General Fund increased by \$1.4 million, or 48.4%.

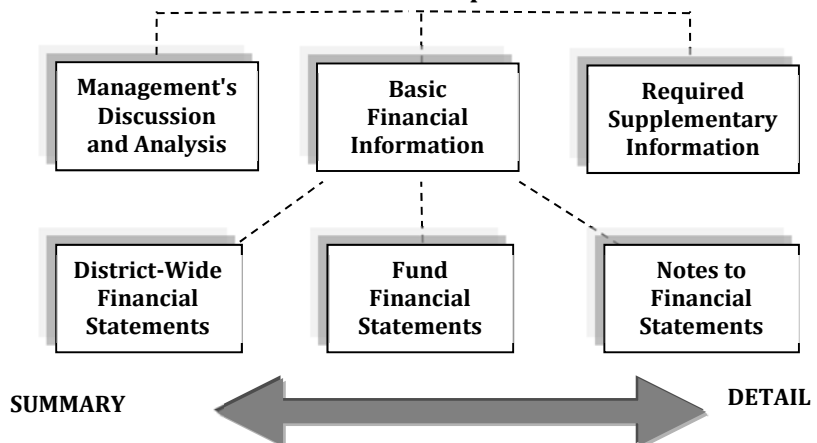
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Figure A-1. Organization of Hueneme Elementary School District's Annual Financial Report

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



HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

| Type of Statements | District-Wide | Governmental Funds | Fiduciary Funds |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Scope</i> | Entire District, except fiduciary activities | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Fiduciary Net Position |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that is properly using certain revenues.

The District has two kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Fund Financial Statements (continued)

- 2) **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 4.6% to \$(67.0) million (See Table A-1).

Table A-1: Statement of Net Position

| | Governmental Activities | | Variance Increase (Decrease) |
|---------------------------------------|--------------------------------|------------------------|---------------------------------------------|
| | 2019 | 2018 | |
| Assets | | | |
| Current assets | \$ 38,900,877 | \$ 27,390,158 | \$ 11,510,719 |
| Capital assets | 46,573,426 | 46,007,969 | 565,457 |
| Total assets | <u>85,474,303</u> | <u>73,398,127</u> | <u>12,076,176</u> |
| Deferred outflows of resources | <u>36,497,307</u> | <u>36,906,344</u> | <u>(409,037)</u> |
| Liabilities | | | |
| Current liabilities | 5,604,671 | 8,177,945 | (2,573,274) |
| Long-term liabilities | 75,015,257 | 64,249,185 | 10,766,072 |
| Net pension liability | 100,601,434 | 98,288,266 | 2,313,168 |
| Total liabilities | <u>181,221,362</u> | <u>170,715,396</u> | <u>10,505,966</u> |
| Deferred inflows of resources | <u>7,727,412</u> | <u>3,644,779</u> | <u>4,082,633</u> |
| Net position | | | |
| Net investment in capital assets | 13,137,306 | 11,349,037 | 1,788,269 |
| Restricted | 6,222,946 | 5,893,319 | 329,627 |
| Unrestricted | (86,337,416) | (81,298,060) | (5,039,356) |
| Total net position | <u>\$ (66,977,164)</u> | <u>\$ (64,055,704)</u> | <u>\$ (2,921,460)</u> |

Changes in net position, governmental activities. The District's total revenues decreased 0.1% to \$107.3 million (See Table A-2). The decrease is due primarily to a decrease in operating grants and contributions.

The total cost of all programs and services decreased 0.4% to \$110.2 million. The District's expenses are predominantly related to educating and caring for students, 78.7%. The purely administrative activities of the District accounted for just 4.1% of total costs. A significant contributor to the decrease in costs was reduced staffing necessitated by declining enrollment.

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

| | Governmental Activities | | Variance Increase (Decrease) |
|--------------------------------------|--------------------------------|------------------------|---------------------------------------------|
| | 2019 | 2018 | |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for services | \$ 145,749 | \$ 140,453 | \$ 5,296 |
| Operating grants and contributions | 11,386,568 | 18,344,907 | (6,958,339) |
| General Revenues: | | | |
| Property taxes | 12,189,389 | 11,331,419 | 857,970 |
| Federal and state aid not restricted | 82,380,375 | 75,449,275 | 6,931,100 |
| Other general revenues | 1,243,334 | 2,236,706 | (993,372) |
| Total Revenues | <u>107,345,415</u> | <u>107,502,760</u> | <u>(157,345)</u> |
| Expenses | | | |
| Instruction-related | 75,016,553 | 76,922,329 | (1,905,776) |
| Pupil services | 11,796,542 | 11,272,564 | 523,978 |
| Administration | 4,534,808 | 4,877,172 | (342,364) |
| Plant services | 9,657,370 | 9,050,788 | 606,582 |
| All other activities | 9,261,602 | 8,610,434 | 651,168 |
| Total Expenses | <u>110,266,875</u> | <u>110,733,287</u> | <u>(466,412)</u> |
| Increase (decrease) in net position | <u>\$ (2,921,460)</u> | <u>\$ (3,230,527)</u> | <u>\$ 309,067</u> |
| Net Position | <u>\$ (66,977,164)</u> | <u>\$ (64,055,704)</u> | |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$33.8 million, which is above last year's ending fund balance of \$19.7 million. The primary cause of the increased fund balance is the issuance of general obligation bonds.

Table A-3: The District's Fund Balances

| Fund | Fund Balances | | | | |
|-----------------------------------|----------------------|-----------------------|-----------------------|-----------------------------|----------------------|
| | July 1, 2018 | Revenues | Expenditures | Other Sources and (Uses) | June 30, 2019 |
| General Fund | \$ 11,008,402 | \$ 111,716,861 | \$ 109,258,799 | \$ - | \$ 13,466,464 |
| Cafeteria Fund | 1,213,379 | 6,233,361 | 5,683,645 | - | 1,763,095 |
| Building Fund | 4,243,884 | 103,492 | 1,903,352 | 12,102,681 | 14,546,705 |
| Capital Facilities Fund | 39,181 | 117,823 | 109,662 | - | 47,342 |
| Bond Interest and Redemption Fund | 3,208,357 | 3,311,328 | 3,157,143 | 622,024 | 3,984,566 |
| | <u>\$ 19,713,203</u> | <u>\$ 121,482,865</u> | <u>\$ 120,112,601</u> | <u>\$ 12,724,705</u> | <u>\$ 33,808,172</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

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

- Revenues – increased by \$2.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$2.1 million due to increased costs.
- Other non-personnel expenses – increased \$4.8 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$1.65 million, the actual results for the year show that revenues exceeded expenditures by roughly \$2.46 million. Actual revenues were \$6.8 million more than anticipated, and expenditures were \$2.7 million more than budgeted. That amount consists primarily of STRS and PERS on-behalf contributions that were not budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had acquired \$3.8 million in new capital assets related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$3.3 million.

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

| | Governmental Activities | | Variance Increase (Decrease) |
|--------------------------|--------------------------------|----------------------|---------------------------------------------|
| | 2019 | 2018 | |
| Land | \$ 1,219,959 | \$ 1,219,959 | \$ - |
| Improvement of sites | 5,222,344 | 5,686,496 | (464,152) |
| Buildings | 37,224,670 | 37,147,430 | 77,240 |
| Equipment | 945,739 | 827,747 | 117,992 |
| Construction in progress | 1,960,714 | 1,126,337 | 834,377 |
| Total | \$ 46,573,426 | \$ 46,007,969 | \$ 565,457 |

Long-Term Debt

At year-end the District had \$75.0 million in long-term debt other than pensions – an increase of 16.8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

| | Governmental Activities | | Variance Increase (Decrease) |
|-------------------------------|--------------------------------|----------------------|---------------------------------------------|
| | 2019 | 2018 | |
| General obligation bonds | \$ 51,831,884 | \$ 40,831,760 | \$ 11,000,124 |
| Compensated absences | 511,539 | 477,213 | 34,326 |
| Other postemployment benefits | 22,671,834 | 22,940,212 | (268,378) |
| Total | \$ 75,015,257 | \$ 64,249,185 | \$ 10,766,072 |

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

HUENEME ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Hueneme Elementary School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Cathy Niss
Chief Business Official
Hueneme Elementary School District
205 N. Ventura Road
Port Hueneme, CA 93041
(805) 488-3588

HUENEME ELEMENTARY SCHOOL DISTRICT*Statement of Net Position**June 30, 2019*

| | Total Governmental Activities |
|---------------------------------------|-------------------------------------|
| ASSETS | |
| Cash | \$ 34,002,716 |
| Accounts receivable | 4,775,474 |
| Inventories | 122,687 |
| Capital assets: | |
| Non-depreciable capital assets | 3,180,673 |
| Depreciable capital assets | 86,865,001 |
| Less accumulated depreciation | <u>(43,472,248)</u> |
| Total assets | <u>85,474,303</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 33,278,781 |
| Deferred outflows related to OPEB | 2,561,626 |
| Deferred amounts on refunding | 656,900 |
| Total deferred outflows of resources | <u>36,497,307</u> |
| LIABILITIES | |
| Accounts payable | 5,319,777 |
| Unearned revenue | 284,894 |
| Long-term liabilities: | |
| Due within one year | 2,275,399 |
| Due after one year | 72,739,858 |
| Net pension liability | <u>100,601,434</u> |
| Total liabilities | <u>181,221,362</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 4,074,092 |
| Deferred inflows related to OPEB | 3,653,320 |
| Total deferred inflows of resources | <u>7,727,412</u> |
| NET POSITION | |
| Net investment in capital assets | 13,137,306 |
| Restricted for: | |
| Capital projects | 47,342 |
| Debt service | 3,984,566 |
| Categorical programs | 2,191,038 |
| Unrestricted | <u>(86,337,416)</u> |
| Total net position | <u>\$ (66,977,164)</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|----------------------------------------------------------|-----------------------|----------------------|------------------------------------|---------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Instructional Services: | | | | |
| Instruction | \$ 62,854,338 | \$ - | \$ 2,828,615 | \$ (60,025,723) |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 4,177,127 | - | 948,619 | (3,228,508) |
| Instructional library, media and technology | 1,093,918 | - | 271,934 | (821,984) |
| School site administration | 6,891,170 | - | (410,512) | (7,301,682) |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 1,199,626 | - | 2,180 | (1,197,446) |
| Food services | 5,724,252 | 145,749 | 5,745,351 | 166,848 |
| All other pupil services | 4,872,664 | - | 539,775 | (4,332,889) |
| General Administration Services: | | | | |
| Data processing services | 245,330 | - | - | (245,330) |
| Other general administration | 4,289,478 | - | 429,429 | (3,860,049) |
| Plant services | 9,657,370 | - | 492,906 | (9,164,464) |
| Community services | 575,321 | - | 538,271 | (37,050) |
| Interest on long-term debt | 1,503,254 | - | - | (1,503,254) |
| Other outgo | 3,878,571 | - | - | (3,878,571) |
| Depreciation (unallocated) | 3,304,456 | - | - | (3,304,456) |
| Total Governmental Activities | <u>\$ 110,266,875</u> | <u>\$ 145,749</u> | <u>\$ 11,386,568</u> | <u>(98,734,558)</u> |
| General Revenues: | | | | |
| Property taxes | | | | 12,189,389 |
| Federal and state aid not restricted to specific purpose | | | | 82,380,375 |
| Interest and investment earnings | | | | 504,806 |
| Miscellaneous | | | | <u>738,528</u> |
| Total general revenues | | | | <u>95,813,098</u> |
| Change in net position | | | | (2,921,460) |
| Net position - July 1, 2018 | | | | <u>(64,055,704)</u> |
| Net position - June 30, 2019 | | | | <u>\$ (66,977,164)</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------------|----------------------|----------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 14,204,241 | \$ 14,765,662 | \$ 5,032,813 | \$ 34,002,716 |
| Accounts receivable | 3,627,449 | 57,639 | 1,090,386 | 4,775,474 |
| Due from other funds | 179,088 | - | 3,103 | 182,191 |
| Inventories | 80,535 | - | 42,152 | 122,687 |
| Total Assets | \$ 18,091,313 | \$ 14,823,301 | \$ 6,168,454 | \$ 39,083,068 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 4,336,852 | \$ 276,596 | \$ 194,363 | \$ 4,807,811 |
| Due to other funds | 3,103 | - | 179,088 | 182,191 |
| Unearned revenue | 284,894 | - | - | 284,894 |
| Total Liabilities | 4,624,849 | 276,596 | 373,451 | 5,274,896 |
| Fund Balances | | | | |
| Nonspendable | 91,535 | - | 42,152 | 133,687 |
| Restricted | 470,095 | 14,546,705 | 5,752,851 | 20,769,651 |
| Assigned | 8,580,898 | - | - | 8,580,898 |
| Unassigned | 4,323,936 | - | - | 4,323,936 |
| Total Fund Balances | 13,466,464 | 14,546,705 | 5,795,003 | 33,808,172 |
| Total Liabilities and Fund Balances | \$ 18,091,313 | \$ 14,823,301 | \$ 6,168,454 | \$ 39,083,068 |

HUENEME ELEMENTARY SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------|------------------------|
| Total fund balances - governmental funds | | | \$ 33,808,172 |
| In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation. | | | |
| | Capital assets at historical cost: | 90,045,674 | |
| | Accumulated depreciation: | <u>(43,472,248)</u> | |
| | Net: | | 46,573,426 |
| In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: | | | |
| | | | (511,966) |
| Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: | | | |
| | | | 656,900 |
| 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: | | | |
| | General obligation bonds payable | 51,831,884 | |
| | Compensated absences payable | 511,539 | |
| | Other postemployment benefits payable | <u>22,671,834</u> | |
| | Total | | (75,015,257) |
| 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 of resources and inflows of resources relating to pensions are reported as follows: | | | |
| | Deferred outflows of resources relating to pensions | 33,278,781 | |
| | Deferred inflows of resources relating to pensions | <u>(4,074,092)</u> | |
| | Total | | 29,204,689 |
| In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources and inflows of resources relating to OPEB are reported as follows: | | | |
| | Deferred outflows of resources relating to OPEB | 2,561,626 | |
| | Deferred inflows of resources relating to OPEB | <u>(3,653,320)</u> | |
| | Total | | (1,091,694) |
| The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. | | | |
| | | | <u>(100,601,434)</u> |
| Total net position - governmental activities | | | <u>\$ (66,977,164)</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2019

| | General Fund | Building Fund | Non-Major Governmental Funds | Total Governmental Funds |
|-----------------------------------------------|--------------------|-------------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| LCFF sources | \$ 87,240,338 | \$ - | \$ - | \$ 87,240,338 |
| Federal sources | 5,165,059 | - | 5,543,152 | 10,708,211 |
| Other state sources | 13,386,690 | - | 538,313 | 13,925,003 |
| Other local sources | 5,924,774 | 103,492 | 3,581,047 | 9,609,313 |
| Total Revenues | 111,716,861 | 103,492 | 9,662,512 | 121,482,865 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional Services: | | | | |
| Instruction | 70,709,213 | - | - | 70,709,213 |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 4,487,736 | - | - | 4,487,736 |
| Instructional library, media and technology | 894,593 | - | - | 894,593 |
| School site administration | 7,320,866 | - | - | 7,320,866 |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 1,173,289 | - | - | 1,173,289 |
| Food services | 473 | - | 5,467,002 | 5,467,475 |
| All other pupil services | 5,285,203 | - | - | 5,285,203 |
| General Administration Services: | | | | |
| Data processing services | 245,330 | - | - | 245,330 |
| Other general administration | 4,065,648 | - | - | 4,065,648 |
| Plant services | 9,190,749 | - | 96,004 | 9,286,753 |
| Community services | 579,207 | - | - | 579,207 |
| Transfers of indirect costs | (178,882) | - | 178,882 | - |
| Capital Outlay | 1,864,485 | 1,645,671 | 51,419 | 3,561,575 |
| Intergovernmental Transfers | 3,620,889 | - | - | 3,620,889 |
| Debt Service: | | | | |
| Costs of issuance | - | 257,681 | - | 257,681 |
| Principal | - | - | 1,550,334 | 1,550,334 |
| Interest | - | - | 1,606,809 | 1,606,809 |
| Total Expenditures | 109,258,799 | 1,903,352 | 8,950,450 | 120,112,601 |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | 2,458,062 | (1,799,860) | 712,062 | 1,370,264 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from general obligation bonds | - | 12,000,000 | - | 12,000,000 |
| Premium on debt issuance | - | 102,681 | 622,024 | 724,705 |
| Total Other Financing Sources and Uses | - | 12,102,681 | 622,024 | 12,724,705 |
| Net Change in Fund Balances | 2,458,062 | 10,302,821 | 1,334,086 | 14,094,969 |
| Fund Balances, July 1, 2018 | 11,008,402 | 4,243,884 | 4,460,917 | 19,713,203 |
| Fund Balances, June 30, 2019 | \$ 13,466,464 | \$ 14,546,705 | \$ 5,795,003 | \$ 33,808,172 |

HUENEME ELEMENTARY 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

Total net change in fund balances - governmental funds \$ 14,094,969

Amounts reported for governmental activities in the statement of activities are different because:

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

| | | |
|----------------------------------|--------------------|---------|
| Expenditures for capital outlay: | 3,878,481 | |
| Depreciation expense: | <u>(3,304,456)</u> | |
| Net: | | 574,025 |

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 1,550,334

In governmental funds, proceeds from issuance of long-term debt are reported 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, net of issue premium were: (12,724,705)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting loss is: (8,568)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. 37,742

In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Ammortization of premiums for the period is: 136,507

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: (59,718)

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 the prior period was: (10,976)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis costs and actual employer contributions was: (5,653,428)

In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was: (34,326)

In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (823,316)

Change in net position of governmental activities \$ (2,921,460)

HUENEME ELEMENTARY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

| | <u>Agency Funds</u> <u>Student Body Funds</u> |
|--------------------------------|----------------------------------------------------------|
| Assets | |
| Cash | \$ 140,209 |
| Accounts receivable - interest | <u>2,554</u> |
| Total Assets | <u>\$ 142,763</u> |
| Liabilities | |
| Accounts payable | \$ 11,062 |
| Due to student groups | <u>131,701</u> |
| Total Liabilities | <u>\$ 142,763</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

Non-Major Governmental Funds

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

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

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

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

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds

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

Associated Student Body Fund: This Fund is used to account for raising and expending money to promote the general welfare, morale, and educational experiences of the student body. The District operates three Associated Student Body funds.

2. Measurement Focus, Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

C. Budgetary Data

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

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

3. Prepaid Expenses/Expenditures

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, 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.

4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

| Description | Estimated Lives |
|----------------------------|-----------------|
| Buildings and improvements | 20-50 years |
| Furniture and equipment | 5-10 years |

5. Unearned Revenue

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

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

6. Deferred Outflows/Inflows of Resources

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

8. Postemployment Benefits Other Than Pensions (OPEB)

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

9. Pensions

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

10. Fund Balances

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

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

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balances (continued)

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

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

11. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

The District does not have a written minimum fund balance policy. To protect against revenue shortfalls and unexpected one-time expenditures, the District has maintained a reserve for economic uncertainties consisting of unassigned amounts equivalent to 3% of budgeted General Fund expenditures and other financing uses. These amounts represent the minimum recommended reserve consistent with the criteria and standards for fiscal solvency adopted by the State Board of Education.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

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

H. Use of Estimates

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

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements

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

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)

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

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

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

NOTE 2 – CASH

Cash at June 30, 2019, is reported at fair value and consisted of the following:

| | Governmental Activities/ Funds | Fiduciary Funds |
|---------------------------|--------------------------------------|--------------------|
| Pooled Funds: | | |
| Cash in county treasury | \$ 33,991,716 | \$ 139,909 |
| Deposits: | | |
| Cash on hand and in banks | - | 300 |
| Cash in revolving fund | 11,000 | - |
| Total Deposits | 11,000 | 300 |
| Total Cash | \$ 34,002,716 | \$ 140,209 |

Pooled Funds

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH (continued)

Pooled Funds (continued)

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

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

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

As of June 30, 2019, \$500,065 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Fair Value Measurements

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

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

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

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

Uncategorized – Investments in the Ventura 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.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

| | General Fund | Building Fund | Non-Major Governmental Funds | Totals |
|--------------------------|---------------------|------------------|------------------------------------|---------------------|
| Federal Government: | | | | |
| Child nutrition programs | \$ - | \$ - | \$ 981,735 | \$ 981,735 |
| Categorical aid programs | 2,651,456 | - | - | 2,651,456 |
| State Government: | | | | |
| Child nutrition programs | - | - | 72,375 | 72,375 |
| Lottery | 407,382 | - | - | 407,382 |
| Categorical aid programs | 131,751 | - | - | 131,751 |
| Local: | | | | |
| Interest | 156,998 | 57,639 | 25,548 | 240,185 |
| Miscellaneous | 279,862 | - | 10,728 | 290,590 |
| Total | <u>\$ 3,627,449</u> | <u>\$ 57,639</u> | <u>\$ 1,090,386</u> | <u>\$ 4,775,474</u> |

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

| | |
|-------------------------------------------------------------------------------------------------|-------------------|
| Due from the General Fund to the Cafeteria Fund for Cooking Club support, payroll and bank fees | \$ 3,103 |
| Due from the Cafeteria Fund to the General Fund for cash contribution and indirect costs | 179,088 |
| | <u>\$ 182,191</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 5 - FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

| | General Fund | Building Fund | Non-Major Governmental Funds | Total |
|----------------------------------------|----------------------|----------------------|------------------------------------|----------------------|
| Nonspendable: | | | | |
| Revolving cash | \$ 11,000 | \$ - | \$ - | \$ 11,000 |
| Stores inventories | 80,535 | - | 42,152 | 122,687 |
| Total Nonspendable | <u>91,535</u> | <u>-</u> | <u>42,152</u> | <u>133,687</u> |
| Restricted: | | | | |
| Categorical programs | 470,095 | - | - | 470,095 |
| Child nutrition programs | - | - | 1,720,943 | 1,720,943 |
| Capital projects | - | 14,546,705 | 47,342 | 14,594,047 |
| Debt service | - | - | 3,984,566 | 3,984,566 |
| Total Restricted | <u>470,095</u> | <u>14,546,705</u> | <u>5,752,851</u> | <u>20,769,651</u> |
| Assigned: | | | | |
| Instruction, facilities, tech programs | 6,911,737 | - | - | 6,911,737 |
| One-time funds | 1,495,958 | - | - | 1,495,958 |
| Instructional materials | 173,203 | - | - | 173,203 |
| Total Assigned | <u>8,580,898</u> | <u>-</u> | <u>-</u> | <u>8,580,898</u> |
| Unassigned: | | | | |
| Reserve for economic uncertainties | 3,046,495 | - | - | 3,046,495 |
| Remaining unassigned balances | 1,277,441 | - | - | 1,277,441 |
| Total Unassigned | <u>4,323,936</u> | <u>-</u> | <u>-</u> | <u>4,323,936</u> |
| Total | <u>\$ 13,466,464</u> | <u>\$ 14,546,705</u> | <u>\$ 5,795,003</u> | <u>\$ 33,808,172</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

| | Balance, July 1, 2018 | Additions | Retirements | Balance, June 30, 2019 |
|---------------------------------------------|--------------------------|---------------------|-------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,219,959 | \$ - | \$ - | \$ 1,219,959 |
| Construction in progress | 1,126,337 | 1,635,388 | 801,011 | 1,960,714 |
| Total capital assets not being depreciated | <u>2,346,296</u> | <u>1,635,388</u> | <u>801,011</u> | <u>3,180,673</u> |
| Capital assets being depreciated: | | | | |
| Improvement of sites | 9,879,558 | 32,880 | - | 9,912,438 |
| Buildings | 70,642,588 | 2,675,779 | - | 73,318,367 |
| Equipment | 3,389,171 | 335,445 | 90,420 | 3,634,196 |
| Total capital assets being depreciated | <u>83,911,317</u> | <u>3,044,104</u> | <u>90,420</u> | <u>86,865,001</u> |
| Accumulated depreciation for: | | | | |
| Improvement of sites | (4,193,062) | (497,032) | - | (4,690,094) |
| Buildings | (33,495,158) | (2,598,539) | - | (36,093,697) |
| Equipment | (2,561,424) | (208,885) | (81,852) | (2,688,457) |
| Total accumulated depreciation | <u>(40,249,644)</u> | <u>(3,304,456)</u> | <u>(81,852)</u> | <u>(43,472,248)</u> |
| Total capital assets being depreciated, net | <u>43,661,673</u> | <u>(260,352)</u> | <u>8,568</u> | <u>43,392,753</u> |
| Governmental activity capital assets, net | <u>\$ 46,007,969</u> | <u>\$ 1,375,036</u> | <u>\$ 809,579</u> | <u>\$ 46,573,426</u> |

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the fiscal year ended June 30, 2019, were as follows:

| | Balance, July 1, 2018 | Additions | Deductions | Balance, June 30, 2019 | Amount Due Within One Year |
|-------------------------------|--------------------------|----------------------|---------------------|---------------------------|-------------------------------|
| General Obligation Bonds: | | | | | |
| Principal Payments | \$ 34,987,102 | \$ 12,000,000 | \$ 1,550,332 | \$ 45,436,770 | \$ 1,673,358 |
| Accreted Interest | 3,886,801 | 376,926 | 414,668 | 3,849,059 | 436,642 |
| Unamortized Issuance Premium | 1,957,857 | 724,705 | 136,507 | 2,546,055 | 165,399 |
| Total - G.O. Bonds | <u>40,831,760</u> | <u>13,101,631</u> | <u>2,101,507</u> | <u>51,831,884</u> | <u>2,275,399</u> |
| Compensated Absences | 477,213 | 34,326 | - | 511,539 | - |
| Other Postemployment Benefits | 22,940,212 | 2,826,104 | 3,094,482 | 22,671,834 | - |
| TOTALS | <u>\$ 64,249,185</u> | <u>\$ 15,962,061</u> | <u>\$ 5,195,989</u> | <u>\$ 75,015,257</u> | <u>\$ 2,275,399</u> |

The postemployment healthcare benefits and compensated absences are liquidated by the funds recording the associated salary expense. The general obligation bonds are liquidated through property tax collections as administered by the County through the Bond Interest and Redemption Fund.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

A. General Obligation Bonds

Election of 1997

On March 4, 1997, the voters of the District approved a measure authorizing the District to issue up to \$4.7 million of general obligation bonds for the purpose of renovating and modernizing school facilities.

Election of 2000

On June 6, 2000, the voters of the District approved a measure authorizing the District to issue up to \$6.95 million of general obligation bonds for the purpose of repairing, renovating and modernizing three elementary schools and two junior high schools.

Election of 2004

On November 2, 2004, the voters of the District approved a measure by a 74% affirmative vote authorizing the District to issue up to \$17.1 million of general obligation bonds for the purpose of repairing, renovating and modernizing three elementary schools and two junior high schools and to improve pedestrian safety in school parking lots.

Election of 2012 (Measure T)

On November 6, 2012, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$19.6 million of general obligation bonds. The Bonds were issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

Election of 2018 (Measure B)

On June 5, 2018, the voters of the District approved a measure by more than a 55% affirmative vote authorizing the District to issue up to \$34.2 million of general obligation bonds. The Bonds will be issued to improve the quality of education; upgrade, modernize, and construct classrooms, restrooms and school facilities; repair or replace leaky roofs; renovate plumbing, sewer, and build new classrooms.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2019, deferred amounts on refunding were \$656,900.

HUENEME ELEMENTARY SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

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

A. General Obligation Bonds (continued)

A summary of all bond issued and outstanding at June 30, 2019 follows:

| Series | Issue Date | Maturity Date | Interest Rate | Original Issue | Balance, July 1, 2018 | Issuances | Redemptions | Balance, June 30, 2019 |
|-------------------------|------------|---------------|---------------------------|----------------|-----------------------|----------------------|---------------------|------------------------|
| Election of 1997 | | | | | | | | |
| Series A | 6/18/1998 | 6/1/2023 | 4.40% - 5.40% | \$ 2,085,011 | \$ 333,849 | \$ - | \$ 60,492 | \$ 273,357 |
| Series B | 5/6/1999 | 5/1/2024 | 4.20% - 5.20% | 2,611,156 | 503,940 | - | 81,605 | 422,335 |
| Election of 2000 | | | | | | | | |
| Series B | 6/18/2002 | 6/1/2027 | 4.00% - 5.73% | 3,563,545 | 1,009,317 | - | 123,235 | 886,082 |
| Election of 2004 | | | | | | | | |
| Series B | 8/9/2007 | 8/1/2032 | 4.00% - 6.859% | 7,599,996 | 1,469,996 | - | - | 1,469,996 |
| Election of 2012 | | | | | | | | |
| Series A | 5/6/2013 | 8/1/2037 | 3.00% - 5.00% | 4,000,000 | 1,900,000 | - | 30,000 | 1,870,000 |
| Series B | 2/3/2015 | 8/1/2039 | 2.00% - 5.00% | 11,000,000 | 10,860,000 | - | 115,000 | 10,745,000 |
| Series C | 6/28/2017 | 8/1/2029 | 2.00% - 4.00% | 4,600,000 | 4,600,000 | - | 350,000 | 4,250,000 |
| Election of 2018 | | | | | | | | |
| Series A | 6/11/2019 | 8/1/2044 | 3.00% - 5.00% | 12,000,000 | - | 12,000,000 | - | 12,000,000 |
| Refunding Bonds | | | | | | | | |
| 2011 Ref. | 10/11/2011 | 8/1/2025 | 2.00% - 5.00% | 3,980,000 | 1,855,000 | - | 185,000 | 1,670,000 |
| 2014 Ref. | 5/2/2014 | 8/1/2029 | 3.25% | 8,700,000 | 7,870,000 | - | 390,000 | 7,480,000 |
| 2017 Ref. | 6/28/2017 | 8/1/2029 | 2.00% - 4.00% | 4,675,000 | 4,585,000 | - | 215,000 | 4,370,000 |
| | | | | | <u>\$ 34,987,102</u> | <u>\$ 12,000,000</u> | <u>\$ 1,550,332</u> | <u>\$ 45,436,770</u> |
| | | | | | | | | |
| | | | Accreted Interest: | | Balance, July 1, 2018 | Additions | Deductions | Balance, June 30, 2019 |
| | | | Election of 1997, Ser. A | | \$ 613,583 | \$ 46,917 | \$ 114,508 | \$ 545,992 |
| | | | Election of 1997, Ser. B | | 811,133 | 63,473 | 133,395 | 741,211 |
| | | | Election of 2000, Ser. B | | 1,382,712 | 127,840 | 166,765 | 1,343,787 |
| | | | Election of 2004, Ser. B | | 1,079,373 | 138,696 | - | 1,218,069 |
| | | | | | <u>\$ 3,886,801</u> | <u>\$ 376,926</u> | <u>\$ 414,668</u> | <u>\$ 3,849,059</u> |

The annual requirements to amortize general obligation bonds payable are as follows:

| Fiscal Year | Principal | Interest | Totals |
|-------------|----------------------|----------------------|----------------------|
| 2019-20 | \$ 1,673,358 | \$ 1,867,259 | \$ 3,540,617 |
| 2020-21 | 2,888,147 | 1,983,266 | 4,871,413 |
| 2021-22 | 2,832,310 | 1,910,746 | 4,743,056 |
| 2022-23 | 2,137,718 | 1,986,464 | 4,124,182 |
| 2023-24 | 2,203,554 | 1,824,115 | 4,027,669 |
| 2024-29 | 12,321,687 | 6,034,200 | 18,355,887 |
| 2029-34 | 8,234,996 | 6,926,947 | 15,161,943 |
| 2034-39 | 7,380,000 | 1,907,725 | 9,287,725 |
| 2039-44 | 4,885,000 | 454,375 | 5,339,375 |
| 2044-45 | 880,000 | 13,200 | 893,200 |
| | <u>\$ 45,436,770</u> | <u>\$ 24,908,297</u> | <u>\$ 70,345,067</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| Pension Plan | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---------------|-----------------------|-----------------------------------|----------------------------------|---------------------|
| District Plan | \$ 22,168,697 | \$ 2,561,626 | \$ (3,653,320) | \$ 1,656,475 |
| MPP Program | 503,137 | - | - | (54,468) |
| Total | <u>\$ 22,671,834</u> | <u>\$ 2,561,626</u> | <u>\$ (3,653,320)</u> | <u>\$ 1,602,007</u> |

The details of each plan are as follows:

District Plan

Plan Description

The District’s single-employer defined benefit OPEB plan offers medical and prescription drug benefits to its employees and retirees through Gold Coast Joint Benefits Trust. Dental and vision coverages are also offered through Gold Coast. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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

The postretirement health plans and the District’s obligation vary by employee group as described below. Certificated, Classified, Certificated Management, Classified Management, and Confidential employees who have attained age 55 and completed at least 15 years of continuous service with the District immediately prior to retirement are eligible to receive District-paid medical and prescription drug coverage for the retiree and eligible dependents up to a District cap, which was \$1,214 per month in 2017-18. Retirees may elect dental and vision coverage and are responsible for the full cost of premiums for those coverages, if elected. Classified employees who are less than 50% full-time do not earn eligibility for District-paid retiree health benefits. District-paid benefits end at age 65.

Employees Covered By Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

| | |
|--------------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 49 |
| Active employees | 673 |
| Total | <u>722</u> |

Total OPEB Liability

The District’s Total OPEB Liability of \$22,168,697 was based on an actuarial valuation as of July 1, 2018, a measurement date of June 30, 2019, and a discount rate of 3.50%. The results of the July 1, 2018 actuarial valuation were rolled forward using standard actuarial methods in order to determine the Total OPEB Liability as of the June 30, 2019 measurement date.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

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

District Plan (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------------------|------------------------------------------------------------------------------|
| Valuation Date | July 1, 2018 |
| Inflation | 2.25% |
| Salary increases | 3.0% average, including inflation |
| Healthcare cost trend rates | 8.0% for 2018-19, decreasing to 5.0% for 2021-22 and after |
| Retirees' share of benefit-related costs | District assumed to pay full composite medical premium for all future years. |

Discount Rate

The discount rate of 3.50% is based on the Bond Buyer 20-bond General Obligation Index.

Mortality Rates

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|------------------------------------------------------|---------------------------------|
| Balance at July 1, 2018 | <u>\$ 22,382,607</u> |
| Changes for the year: | |
| Service cost | 930,396 |
| Interest | 862,540 |
| Difference between expected and actual experience | (2,261,323) |
| Changes of assumptions | 1,033,168 |
| Benefit payments | <u>(778,691)</u> |
| Net changes | <u>(213,910)</u> |
| Balance at June 30, 2019 | <u><u>\$ 22,168,697</u></u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

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

District Plan (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| Discount Rate | OPEB Liability |
|-------------------------------|-------------------|
| 1% decrease (2.50%) | \$ 23,951,587 |
| Current discount rate (3.50%) | \$ 22,168,697 |
| 1% increase (4.50%) | \$ 20,498,762 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| Healthcare Cost Trend Rate | OPEB Liability |
|----------------------------------------|-------------------|
| 1% decrease (7.0% decreasing to 4.0%) | \$ 19,743,070 |
| Current rate (8.0% decreasing to 5.0%) | \$ 22,168,697 |
| 1% increase (9.0% decreasing to 6.0%) | \$ 24,992,576 |

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,656,475. In addition, at June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 765,702 | \$ (2,775,767) |
| Changes of assumptions | 1,795,924 | (877,553) |
| Total | <u>\$ 2,561,626</u> | <u>\$ (3,653,320)</u> |

The deferred outflows of resources and deferred inflows of resources related to the differences between expected and actual experience and changes of assumptions in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 9.0 years.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

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

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------|-----------------------------------|----------------------------------|
| 2020 | \$ 320,204 | \$ (456,665) |
| 2021 | 320,204 | (456,665) |
| 2022 | 320,204 | (456,665) |
| 2023 | 320,204 | (456,665) |
| 2024 | 320,204 | (456,665) |
| Thereafter | 960,606 | (1,369,995) |
| | <u>\$ 2,561,626</u> | <u>\$ (3,653,320)</u> |

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

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

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

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

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$503,137 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

| | Percentage Share of MPP Program | | Change Increase/ (Decrease) |
|--------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------|
| | Fiscal Year Ending June 30, 2019 | Fiscal Year Ending June 30, 2018 | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net OPEB Liability | 0.131446% | 0.132540% | -0.001094% |

For the year ended June 30, 2019, the District reported OPEB expense of \$(54,468).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|-------------------------------------------------------------|
| Measurement Date | June 30, 2018 |
| Valuation Date | June 30, 2017 |
| Experience Study | July 1, 2010, through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 3.87% |
| Healthcare Cost Trend Rates | 3.70% for Medicare Part A, and 4.10% for Medicare Part B |

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459, or an average of 0.27 percent of the potentially eligible population (171,593).

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer’s 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| | Discount Rate | MPP OPEB Liability |
|-------------------------------|---------------|-----------------------|
| 1% decrease (2.87%) | \$ | 556,493 |
| Current discount rate (3.87%) | \$ | 503,137 |
| 1% increase (4.87%) | \$ | 454,958 |

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the Medicare costs trend rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

| | Medicare Cost Trend Rates | MPP OPEB Liability |
|--------------------------------------------|------------------------------|-----------------------|
| 1% decrease (2.7% Part A and 3.1% Part B) | \$ | 458,809 |
| Current rate (3.7% Part A and 4.1% Part B) | \$ | 503,137 |
| 1% increase (4.7% Part A and 5.1% Part B) | \$ | 550,808 |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense |
|--------------|-----------------------|--------------------------------|-------------------------------|----------------------|
| CalSTRS | \$ 76,823,475 | \$ 26,160,583 | \$ 4,074,092 | \$ 12,076,129 |
| CalPERS | 23,777,959 | 7,118,198 | - | 4,776,687 |
| Total | <u>\$ 100,601,434</u> | <u>\$ 33,278,781</u> | <u>\$ 4,074,092</u> | <u>\$ 16,852,816</u> |

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | STRP Defined Benefit Program | |
|-----------------------------------------------------------|-------------------------------------|--------------------|
| | On or before | On or after |
| Hire Date | December 31, 2012 | January 1, 2013 |
| Benefit Formula | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 60 | 62 |
| Monthly Benefits as a Percentage of Eligible Compensation | 2.0%-2.4% | 2.0%-2.4% |
| Required Member Contribution Rate | 10.25% | 10.205% |
| Required Employer Contribution Rate | 16.28% | 16.25% |
| Required State Contribution Rate | 9.828% | 9.828% |

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$7,494,658.

Pension Liabilities, Pension Expense, and 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. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|---------------------------------------------------------------------------------------|----|--------------------|
| District's proportionate share of net pension liability | \$ | 76,823,475 |
| State's proportionate share of the net pension liability associated with the District | | 43,985,033 |
| Total | \$ | <u>120,808,508</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|-----------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------|
| | <u>Fiscal Year Ending June 30, 2019</u> | <u>Fiscal Year Ending June 30, 2018</u> | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net Pension Liability | 0.083588% | 0.083275% | 0.000313% |

For the year ended June 30, 2019, the District recognized pension expense of \$12,076,129. In addition, the District recognized pension expense and revenue of \$1,499,881 for 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> |
|---------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Pension contributions subsequent to measurement date | \$ 7,494,658 | \$ - |
| Net change in proportionate share of net pension liability | 6,492,965 | - |
| Difference between projected and actual earnings on pension plan investments | - | 2,958,189 |
| Changes of assumptions | 11,934,734 | - |
| Differences between expected and actual experience | 238,226 | 1,115,903 |
| Total | <u>\$ 26,160,583</u> | <u>\$ 4,074,092</u> |

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

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|------------------------------------------------|
| 2020 | \$ 4,292,194 |
| 2021 | 3,182,978 |
| 2022 | 1,164,321 |
| 2023 | 3,155,394 |
| 2024 | 2,597,817 |
| Thereafter | 199,129 |
| Total | <u>\$ 14,591,833</u> |

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 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 actuarial 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 | 7.1% |
| Consumer Price of Inflation | 2.75% |
| Wage Growth | 3.5% |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent 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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|----------------------------------------|
| Global Equity | 47% | 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)% |

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

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

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.10%) | \$ 112,537,401 |
| Current discount rate (7.10%) | 76,823,475 |
| 1% increase (8.10%) | 47,213,165 |

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$7,012,484.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | Schools Pool (CalPERS) | |
|-----------------------------------------------------------|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire Date | On or before December 31, 2012 | On or after January 1, 2013 |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 55 | 62 |
| Monthly Benefits as a Percentage of Eligible Compensation | 1.1%-2.5% | 1.0%-2.5% |
| Required Employee Contribution Rate | 7.00% | 6.50% |
| Required Employer Contribution Rate | 18.062% | 18.062% |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$2,204,850.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$23,777,959. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | Percentage Share of Risk Pool | | Change Increase/ (Decrease) |
|-----------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------|
| | Fiscal Year Ending June 30, 2019 | Fiscal Year Ending June 30, 2018 | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net Pension Liability | 0.089179% | 0.089121% | 0.000058% |

For the year ended June 30, 2019, the District recognized pension expense of \$4,776,687. 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 |
|---------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Pension contributions subsequent to measurement date | \$ 2,204,850 | \$ - |
| Net change in proportionate share of net pension liability | 785,395 | - |
| Difference between projected and actual earnings on pension plan investments | 195,033 | - |
| Changes of assumptions | 2,374,124 | - |
| Differences between expected and actual experience | 1,558,796 | - |
| Total | <u>\$ 7,118,198</u> | <u>\$ -</u> |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

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

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|------------------------------------------------|
| 2020 | \$ 2,894,444 |
| 2021 | 2,150,233 |
| 2022 | 6,281 |
| 2023 | (137,610) |
| 2024 | - |
| Thereafter | - |
| Total | <u>\$ 4,913,348</u> |

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------|---------------------------------|
| Valuation Date | June 30, 2017 |
| Experience Study | 1997-2015 |
| Actuarial Cost Method | Entry age normal |
| Discount Rate | 7.15% |
| Consumer Price of Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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 returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

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

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.15%) | \$ 34,619,571 |
| Current discount rate (7.15%) | 23,777,959 |
| 1% increase (8.15%) | 14,783,290 |

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$806,179.

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of \$46,556 and \$3,491 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2019.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of nearly \$3.6 million.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 10 – RISK MANAGEMENT

The District participates in two joint powers agreement (JPA) entities, the Ventura County Schools' Self-Funding Authority (VCSSFA) and Gold Coast Joint Benefits Trust (GCJBT).

VCSSFA provided workers' compensation, property and liability coverage for its member school district through a varying combination of self-insurance and excess coverage. The District pays a premium commensurate with the level of coverage requested.

HUENEME ELEMENTARY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 10 – RISK MANAGEMENT (continued)

GCJBT arranges for health and welfare benefits for employees and retirees of participating school districts and their eligible dependents. Member districts pay a monthly premium per eligible participant.

Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influences by the District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. VCSFFA and GCJBT maintain their own accounting records. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. Separate financial statements for each JPA may be obtained from the respective entity.

The relationship between the District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Required Supplementary Information

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HUENEME ELEMENTARY SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget - Pos (Neg) |
|--------------------------------------------------------------|----------------------|---------------------|-----------------------------|----------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| LCFF Sources | \$ 87,074,124 | \$ 87,704,429 | \$ 87,240,338 | \$ (464,091) |
| Federal Sources | 4,340,586 | 5,744,446 | 5,165,059 | (579,387) |
| Other State Sources | 5,896,079 | 5,588,188 | 13,386,690 | 7,798,502 |
| Other Local Sources | 5,010,584 | 5,855,095 | 5,924,774 | 69,679 |
| Total Revenues | 102,321,373 | 104,892,158 | 111,716,861 | 6,824,703 |
| Expenditures | | | | |
| Current: | | | | |
| Certificated Salaries | 46,863,654 | 47,847,607 | 47,600,603 | 247,004 |
| Classified Salaries | 12,860,122 | 13,560,530 | 13,365,377 | 195,153 |
| Employee Benefits | 23,066,785 | 23,474,243 | 30,597,787 | (7,123,544) |
| Books and Supplies | 5,037,820 | 6,202,649 | 4,357,448 | 1,845,201 |
| Services and Other Operating Expenditures | 8,241,920 | 9,361,133 | 7,868,625 | 1,492,508 |
| Transfers of indirect costs | (194,641) | (194,641) | (178,882) | (15,759) |
| Capital Outlay | 140,000 | 2,599,415 | 2,026,952 | 572,463 |
| Intergovernmental | 3,637,397 | 3,692,397 | 3,620,889 | 71,508 |
| Total Expenditures | 99,653,057 | 106,543,333 | 109,258,799 | (2,715,466) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,668,316 | (1,651,175) | 2,458,062 | 4,109,237 |
| Fund Balances, July 1, 2018 | 9,673,345 | 11,008,405 | 11,008,402 | (3) |
| Fund Balances, June 30, 2019 | <u>\$ 12,341,661</u> | <u>\$ 9,357,230</u> | <u>\$ 13,466,464</u> | <u>\$ 4,109,234</u> |

The actual amounts reported in this schedule include \$7,818,665 recorded as State revenue and employee benefits expenditures for the STRS and PERS On-Behalf contributions, but which were not included in the budget.

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

| | <i>Last Ten Fiscal Years*</i> | | | | |
|-------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14</u> |
| CalSTRS | | | | | |
| District's proportion of the net pension liability | <u>0.0836%</u> | <u>0.0833%</u> | <u>0.0820%</u> | <u>0.0820%</u> | <u>0.0690%</u> |
| District's proportionate share of the net pension liability | <u>\$ 76,823,475</u> | <u>\$ 77,012,630</u> | <u>\$ 66,322,420</u> | <u>\$ 55,205,680</u> | <u>\$ 40,321,530</u> |
| State's proportionate share of the net pension liability associated with the District | <u>43,985,033</u> | <u>45,560,021</u> | <u>37,761,729</u> | <u>29,197,641</u> | <u>24,348,125</u> |
| Totals | <u>\$ 120,808,508</u> | <u>\$ 122,572,651</u> | <u>\$ 104,084,149</u> | <u>\$ 84,403,321</u> | <u>\$ 64,669,655</u> |
| District's covered-employee payroll | <u>\$ 44,784,421</u> | <u>\$ 43,985,429</u> | <u>\$ 41,878,000</u> | <u>\$ 37,390,000</u> | <u>\$ 34,189,000</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>171.54%</u> | <u>175.09%</u> | <u>158.37%</u> | <u>147.65%</u> | <u>117.94%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>71%</u> | <u>69%</u> | <u>70%</u> | <u>74%</u> | <u>77%</u> |
| CalPERS | | | | | |
| District's proportion of the net pension liability | <u>0.0892%</u> | <u>0.0891%</u> | <u>0.0883%</u> | <u>0.0805%</u> | <u>0.0779%</u> |
| District's proportionate share of the net pension liability | <u>\$ 23,777,959</u> | <u>\$ 21,275,636</u> | <u>\$ 17,439,305</u> | <u>\$ 11,865,779</u> | <u>\$ 8,843,547</u> |
| District's covered-employee payroll | <u>\$ 11,807,192</u> | <u>\$ 11,401,447</u> | <u>\$ 10,597,000</u> | <u>\$ 8,974,000</u> | <u>\$ 8,177,000</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>201.39%</u> | <u>186.60%</u> | <u>164.57%</u> | <u>132.22%</u> | <u>108.15%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>71%</u> | <u>72%</u> | <u>74%</u> | <u>79%</u> | <u>83%</u> |

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

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

| | <i>Last Ten Fiscal Years*</i> | | | | |
|----------------------------------------------------------------------|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
| CalSTRS | | | | | |
| Contractually required contribution | \$ 7,494,658 | \$ 6,462,392 | \$ 5,533,367 | \$ 4,493,597 | \$ 3,320,260 |
| Contributions in relation to the contractually required contribution | <u>7,494,658</u> | <u>6,462,392</u> | <u>5,533,367</u> | <u>4,493,597</u> | <u>3,320,260</u> |
| Contribution deficiency (excess): | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | <u>\$ 46,035,985</u> | <u>\$ 44,784,421</u> | <u>\$ 43,985,429</u> | <u>\$ 41,878,000</u> | <u>\$ 37,390,000</u> |
| Contributions as a percentage of covered-employee payroll | <u>16.28%</u> | <u>14.43%</u> | <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| CalPERS | | | | | |
| Contractually required contribution | \$ 2,204,850 | \$ 1,833,775 | \$ 1,583,433 | \$ 1,255,444 | \$ 1,056,313 |
| Contributions in relation to the contractually required contribution | <u>2,204,850</u> | <u>1,833,775</u> | <u>1,583,433</u> | <u>1,255,444</u> | <u>1,056,313</u> |
| Contribution deficiency (excess): | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | <u>\$ 12,207,119</u> | <u>\$ 11,807,192</u> | <u>\$ 11,401,447</u> | <u>\$ 10,597,000</u> | <u>\$ 8,974,000</u> |
| Contributions as a percentage of covered-employee payroll | <u>18.062%</u> | <u>15.531%</u> | <u>13.888%</u> | <u>11.847%</u> | <u>11.771%</u> |

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

HUENEME ELEMENTARY SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years*

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------------------------------------------|----------------------|----------------------|
| Total OPEB liability | | |
| Service cost | \$ 930,396 | \$ 1,043,926 |
| Interest | 862,540 | 791,281 |
| Differences between expected and actual experience | (2,261,323) | - |
| Changes of assumptions or other inputs | 1,033,168 | - |
| Benefit payments | <u>(778,691)</u> | <u>(777,429)</u> |
| Net change in total OPEB liability | (213,910) | 1,057,778 |
| Total OPEB liability - beginning | <u>22,382,607</u> | <u>21,324,829</u> |
| Total OPEB liability - ending | <u>\$ 22,168,697</u> | <u>\$ 22,382,607</u> |
| | | |
| Covered-employee payroll | <u>\$ 60,075,705</u> | <u>\$ 58,884,316</u> |
| | | |
| Total OPEB liability as a percentage of covered-employee payroll | <u>36.90%</u> | <u>38.01%</u> |

Notes to Schedule:*In 2017-18, the discount rate was changed from 3.6% to 3.5%.*** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

HUENEME ELEMENTARY SCHOOL DISTRICT

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2019*

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------------------------------|-------------------|-------------------|
| District's proportion of net OPEB liability | <u>0.1314%</u> | <u>0.1325%</u> |
| District's proportionate share of net OPEB liability | <u>\$ 503,137</u> | <u>\$ 557,605</u> |
| Covered-employee payroll | <u>N/A</u> | <u>N/A</u> |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>N/A</u> | <u>N/A</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>0.40%</u> | <u>0.01%</u> |

Notes to Schedule:

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

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

HUENEME ELEMENTARY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Schedule of the District’s Proportionate Share of the Net Pension Liability

This schedule presents information on the District’s proportionate share of the net pension liability (NPL), the plans’ fiduciary net position and, when applicable, the State’s proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

This schedule presents information on the District’s required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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

This schedule presents information on the District’s changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

HUENEME ELEMENTARY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

This schedule presents information on the District’s proportionate share of the net OPEB liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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Supplementary Information

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HUENEME ELEMENTARY SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2019

The Hueneme Elementary School District was established in 1873 and consists of an area comprising approximately eight square miles, including the City of Port Hueneme, a small portion of the City of Oxnard, and adjacent unincorporated territory in Ventura County. The District operates nine elementary schools and two junior high schools. There were no boundary changes during the year.

| BOARD OF EDUCATION | | |
|---------------------------|---------------|---------------------|
| Member | Office | Term Expires |
| Charles Weis, Ph.D. | President | December 2022 |
| Darlene A. Bruno | Clerk | December 2020 |
| Scott E. Swenson | Member | December 2022 |
| Bexy I. Gomez | Member | December 2022 |
| Siugen Constanza | Member | December 2020 |

DISTRICT ADMINISTRATORS

Dr. Christine Walker,
Superintendent

Dr. Carlos Dominguez,
Deputy Superintendent, Human Resources

Helen Cosgrove,
Assistant Superintendent, Educational Resources

David Ragsdale,
Assistant Superintendent, Technology and Strategic Operations

Cathy Niss,
Chief Business Official

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

| | Second Period Report | Annual Report |
|-------------------------------------------------------------|---------------------------------|-------------------------------|
| | Certificate No. (90E5EADE) | Certificate No. (1975DB55) |
| Regular ADA & Extended Year: | | |
| TK/Grades K-3 | 3,521.37 | 3,513.42 |
| Grades 4-6 | 2,609.76 | 2,601.42 |
| Grades 7-8 | 1,814.73 | 1,808.00 |
| Total Regular ADA | <u>7,945.86</u> | <u>7,922.84</u> |
| Special Education, Nonpublic, Nonsectarian Schools: | | |
| TK/Grades K-3 | 2.94 | 2.92 |
| Grades 4-6 | 1.82 | 1.82 |
| Grades 7-8 | 0.82 | 0.82 |
| Total Special Education, Nonpublic, Nonsectarian Schools | <u>5.58</u> | <u>5.56</u> |
| Total ADA | <u><u>7,951.44</u></u> | <u><u>7,928.40</u></u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

| <u>Grade Level</u> | <u>Required Minutes</u> | <u>2018-19 Actual Minutes</u> | <u>Number of Days Traditional Calendar*</u> | <u>Status</u> |
|--------------------|-------------------------|-------------------------------|---------------------------------------------|---------------|
| Kindergarten | 36,000 | 35,590 | 178 | Complied |
| Grade 1 | 50,400 | 49,800 | 178 | Complied |
| Grade 2 | 50,400 | 49,800 | 178 | Complied |
| Grade 3 | 50,400 | 49,800 | 178 | Complied |
| Grade 4 | 54,000 | 53,350 | 178 | Complied |
| Grade 5 | 54,000 | 53,350 | 178 | Complied |
| Grade 6 | 54,000 | 53,842 | 178 | Complied |
| Grade 7 | 54,000 | 53,842 | 178 | Complied |
| Grade 8 | 54,000 | 53,842 | 178 | Complied |

*The District had emergency closures on November 9 and 14, 2018. The CDE granted the District a waiver pursuant to California Education Code sections 46200, 46201, 46207, and/or 46208.

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

| General Fund | (Budget) 2020 ² | 2019 | 2018 | 2017 |
|------------------------------------------------------|-------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues and other financing sources | \$ 100,039,394 | \$ 111,716,861 | \$ 101,715,427 | \$ 92,813,854 |
| Expenditures | 101,090,108 | 109,258,799 | 100,796,364 | 96,319,700 |
| Change in fund balance (deficit) | (1,050,714) | 2,458,062 | 919,063 | (3,505,846) |
| Ending fund balance | <u>\$ 12,415,750</u> | <u>\$ 13,466,464</u> | <u>\$ 11,008,402</u> | <u>\$ 10,089,339</u> |
| Available reserves ¹ | <u>\$ 4,346,668</u> | <u>\$ 4,323,936</u> | <u>\$ 2,912,745</u> | <u>\$ 2,889,591</u> |
| Available reserves as a percentage of total outgo | <u>4.3%</u> | <u>4.0%</u> | <u>2.9%</u> | <u>3.0%</u> |
| Total long-term debt | <u>\$ 173,702,326</u> | <u>\$ 175,616,691</u> | <u>\$ 162,537,451</u> | <u>\$ 148,419,318</u> |
| Average daily attendance at P-2 | <u>7,951</u> | <u>7,951</u> | <u>8,133</u> | <u>8,146</u> |

The General Fund balance has increased by \$3,377,125 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$1,050,714. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in only one of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by \$27,197,313 over the past two years.

Average daily attendance has decreased by 195 over the past two years. No further decrease of ADA is anticipated during fiscal year 2019-20.

¹ Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

² Revised Final Budget September, 2019

HUENEME ELEMENTARY SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019*

| | <u>General Fund</u> |
|---------------------------------------------------------------------------|-----------------------------|
| June 30, 2019, annual financial and budget report (SACS) fund balances | \$ 13,216,618 |
| Adjustments and reclassifications: | |
| Increasing (decreasing) the fund balance: | |
| Lottery receivables underreported | <u>249,846</u> |
| June 30, 2019, audited financial statement fund balances | <u><u>\$ 13,466,464</u></u> |

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Cluster Expenditures | Federal Expenditures |
|------------------------------------------------------------------|---------------------------|-------------------------------------------------|-------------------------|-------------------------|
| Federal Programs: | | | | |
| U.S. Department of Agriculture: | | | | |
| Passed through California Dept. of Education (CDE): | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program - Especially Needy | 10.553 | 13526 | \$ 1,460,630 | |
| National School Lunch Program | 10.555 | 13523 | 3,705,458 | |
| USDA Donated Foods | 10.555 | N/A | <u>377,064</u> | |
| Total Child Nutrition Cluster | | | | \$ 5,543,152 |
| Total U.S. Department of Agriculture | | | | <u>5,543,152</u> |
| U.S. Department of Education: | | | | |
| Federal Impact Aid | 84.041 | 10015 | | 268,301 |
| Passed through California Dept. of Education (CDE): | | | | |
| Every Student Succeeds Act (ESSA): | | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | | 1,775,137 |
| Title II, Part A, Teacher Quality Improvement | 84.367 | 14341 | | 464,641 |
| English Language Acquisition Grants Cluster: | | | | |
| Title III, Immigrant Education Program | 84.365 | 15146 | 5,762 | |
| Title III, Limited English Proficiency | 84.365 | 14346 | <u>324,753</u> | |
| Total English Language Acquisition Grants Cluster | | | | 330,515 |
| Title IV, Part A, Student Support and Academic Enrichment | 84.424 | 15396 | | 5,981 |
| Passed through Ventura County SELPA: | | | | |
| Individuals with Disabilities Education Act (IDEA): | | | | |
| Local Assistance Entitlement | 84.027 | 13379 | 1,713,107 | |
| IDEA Preschool Grants, Part B, Section 619 | 84.173 | 13430 | <u>61,908</u> | |
| Total Special Education (IDEA) Cluster | | | | 1,775,015 |
| Total U.S. Department of Education | | | | <u>4,619,590</u> |
| U.S. Department of Health & Human Services: | | | | |
| Passed through California Dept. of Education: | | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | | 290,111 |
| Total U.S. Department of Health & Human Services | | | | <u>290,111</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 10,452,853</u> |

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

HUENEME ELEMENTARY SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

| | <u>CFDA Number</u> | <u>Amount</u> |
|---------------------------------------------------------------------------------------------------|--------------------|----------------------|
| Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances | | \$ 10,708,211 |
| Differences between Federal Revenues and Expenditures: | | |
| Medi-Cal Administrative Activities | 93.778 | (296,951) |
| Medi-Cal Billing Option | 93.778 | <u>41,593</u> |
| Total Schedule of Expenditures of Federal Awards | | <u>\$ 10,452,853</u> |

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Hueneme Elementary School District
Port Hueneme, 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 Hueneme Elementary School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Hueneme Elementary School District's basic financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting

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

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

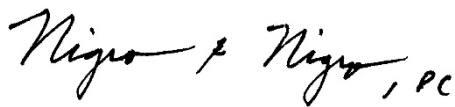
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
October 21, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Hueneme Elementary School District
Port Hueneme, California

Report on Compliance for Each Major Federal Program

We have audited Hueneme Elementary School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Hueneme Elementary School District's major federal programs for the year ended June 30, 2019. Hueneme Elementary School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hueneme Elementary School District's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Hueneme Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hueneme Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hueneme Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

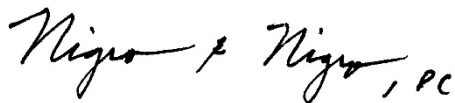
Report on Internal Control Over Compliance

Management of Hueneme Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hueneme Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
October 21, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Hueneme Elementary School District
Port Hueneme, California

Report on State Compliance

We have audited Hueneme Elementary School District's compliance with the types of compliance requirements described in the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Hueneme Elementary School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hueneme Elementary School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Hueneme Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Hueneme Elementary School District's compliance.

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

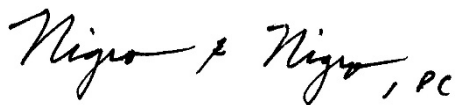
Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (Not Applicable), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

| Description | Procedures Performed |
|---------------------------------------------------------------------|----------------------|
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Yes |
| 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 testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Hueneme Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.



Murrieta, California
October 21, 2019

Findings and Questioned Costs

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HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | |
|--------------------------------------------------------------------------------|----------------------|
| Type of auditors' report issued | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards

| | |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>None reported</u> |
| Type of auditors' report issued on compliance for major programs: | <u>Unmodified</u> |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 | <u>No</u> |
| Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.027, 84.173 | Special Education (IDEA) Cluster |
| 84.010 | Title I, Part A |

| | |
|--------------------------------------------------------------------------|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

State Awards

| | |
|-------------------------------------------------------------------|-------------------|
| Type of auditors' report issued on compliance for state programs: | <u>Unmodified</u> |
|-------------------------------------------------------------------|-------------------|

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

| <u>Five Digit Code</u> | <u>AB 3627 Finding Types</u> |
|------------------------|------------------------------------------------------|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

There were no financial statement findings in 2018-19.

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

HUENEME ELEMENTARY SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2018-19.

HUENEME ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

| Original Finding No. | Finding | Code | Recommendation | Current Status |
|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <p><i>Finding 2018-001:</i> <i>CALPADS</i> <i>Unduplicated</i> <i>Pupil Counts</i></p> | <p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the free and reduced-price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted one student who was reported as free or reduced priced meal eligible that did not qualify based on the income survey on file.</p> | 40000 | <p>We recommend that the District update the application review process to ensure no errors exist.</p> | Implemented |
| <p><i>Finding 2018-002:</i> <i>Instructional</i> <i>Materials</i></p> | <p>California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District.</p> | 70000 | <p>We recommend that the District ensure that the notice which is posted during the 2018-19 school year adhere to the requirements for the posting of the public notice with the time, place and purpose at three public locations.</p> | Implemented |

HUENEME ELEMENTARY SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2019

| Original Finding No. | Finding | Code | Recommendation | Current Status |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <i>Finding 2018-002: Instructional Materials (continued)</i> | The notice posted by the District did not provide the time of the public hearing regarding the sufficiency of textbooks and instructional materials nor was it posted at three separate public locations. | | | |

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APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series B Bonds, Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California, Bond Counsel to the Hueneme Elementary School District, proposes to render its final approving opinion with respect to the Series B Bonds in substantially the following form:

[Dated Date]

Board of Education of the
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, CA 93041-3065

Re: \$20,200,000 Hueneme Elementary School District General Obligation Bonds, 2018
Election, Series B

Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Hueneme Elementary School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$20,200,000 principal amount of Hueneme Elementary School District General Obligation Bonds, 2018 Election, Series B (“Bonds”). The Bonds are being issued pursuant to the Resolution of the Board of Education of the District, adopted on August 24, 2020 (Resolution No. B20-21-02) (“Bond Resolution”) which Bond Resolution was adopted in accordance with the provisions of the California Constitution, the statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506 and, as applicable, the statutory authority set forth in California Education Code Sections 15264, 15266(b), and the provisions of Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, commencing with Section 15100.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County of Ventura (“County”) and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County, other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property within the District is subject to *ad valorem* property taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion(s) as to any matter other than as expressly set forth above. We specifically express no opinion with regard to “Blue Sky” laws in connection with the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

Upon delivery of the Refunding Bonds, Atkinson, Andelson, Loya, Ruud & Romo, a Professional Law Corporation, Irvine, California, Bond Counsel to the Hueneme Elementary School District, proposes to render its final approving opinion with respect to the Refunding Bonds in substantially the following form:

[Closing Date]

Board of Trustees of the
Hueneme Elementary School District
205 North Ventura Road
Port Hueneme, CA 93041

Re: \$6,795,000 Hueneme Elementary School District
2020 General Obligation Refunding Bonds (Federally Taxable)

Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Hueneme Elementary School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$6,795,000 principal amount of Hueneme Elementary School District 2020 General Obligation Refunding Bonds (Federally Taxable) (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on August 24, 2020 (Resolution No. B20-21-01) (“Bond Resolution”), and in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and related California law. The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay certain costs of issuance of the Bonds.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County of Ventura (“County”), and the purchaser of the Bonds, including certificates as to factual matters as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District, or the County, other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have

relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* property taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County is required by law to include in their respective annual tax levies the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is exempt from State personal income taxes. We provide no opinion as to any federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The opinion provided herein by us in our role as Bond Counsel with respect to the Bonds is not intended or written by us to be used, and it cannot be used, by any purchaser or owners of such Bonds for the purpose of avoiding penalties that may be imposed on such purchaser or owner. The opinion provided in this paragraph is not provided to support the promotion or marketing of the Bonds. Purchasers or owners of the Bonds should seek advice based on their particular circumstances from an independent tax advisor concerning the federal tax consequences of the ownership of such Bonds.

We express no opinion(s) as to any matter other than as expressly set forth above. We specifically express no opinion with regard to “Blue Sky” laws in connection with the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Hueneme Elementary School District (the “District”) in connection with the issuance of (i) \$20,200,000 of the District’s General Obligation Bonds, 2018 Election, Series B (the “Series B Bonds”) and (ii) \$6,795,000 of the District’s 2020 General Obligation Refunding Bonds (Federally Taxable) (the “Refunding Bonds” and, together with the Series B Bonds, the “Bonds”). The Bonds are being issued pursuant to two resolutions of the District adopted on August 24, 2020 (collectively, the “Resolutions”). The District covenants and agrees as follows:

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

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

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, April 1 after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2019-20 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

(i) The audited financial statements of the District for the prior fiscal year, 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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.

(ii) The District’s approved annual budget for the then-current fiscal year.

(iii) Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District’s audited financial statements):

(A) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

- (B) If Ventura County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year.
- (C) Top 20 property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value, if material.

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 have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

- (i) principal and interest payment delinquencies.
- (ii) tender offers.
- (iii) defeasances.
- (iv) rating changes.
- (v) the issuance by the Internal Revenue Service of adverse tax opinions or proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (vii) unscheduled draws on credit enhancement reflecting financial difficulties.
- (viii) substitution of the credit or liquidity providers or their failure to perform.
- (ix) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties of the District.
- (x) bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to

the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) non-payment related defaults.

(ii) modifications to rights of Bondholders.

(iii) optional, contingent or unscheduled bond calls.

(iv) unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

(v) release, substitution or sale of property securing repayment of the Bonds.

(vi) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Upon the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. 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(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. 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, 5(a) or 5(b), 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 the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. 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 Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under either Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: September 30, 2020

HUENEME ELEMENTARY SCHOOL DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: HUENEME ELEMENTARY SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, 2018 Election, Series B

Date of Issuance: September 30, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

HUENEME ELEMENTARY SCHOOL DISTRICT

By _____ [form only; no signature required]

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE DISTRICT

The District encompasses portions of the cities of Port Hueneme and Oxnard, as well as unincorporated areas of the County. The following economic data for Port Hueneme, Oxnard, and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of Port Hueneme, Oxnard, or the County.

Introduction

Ventura County. Geographically, the County is situated on the southern California coast, approximately 60 miles northwest of Los Angeles, and is the twelfth most populous county in California. The County covers an area of approximately 1,843 square miles and ranks 26th in size among California's 58 counties. The County is bordered by the Pacific Ocean to the south and west, Santa Barbara County to the west, Kern County to the north, and Los Angeles County to the east. The largest cities in the County are Ventura (the county seat), Oxnard, Thousand Oaks, and Simi Valley.

The County's economy is fairly diverse and centers around electronics, computer manufacturing, defense, oil and agriculture. Most of the northern half of the County is part of the Los Padres National Forest. Mountain ranges created fertile valleys and broad alluvial basins, primarily in the southern half of the County. The high soil fertility and good drainage of the alluvial basins has helped the County become a leading agricultural producer.

The County's historic economic strength in agriculture, food processing and mineral production has been supplemented in the past decade by the increasing prominence of business services, small manufacturing businesses, the electronics industry, biotechnology, tourism and the military's presence, as well as other diversified industries.

City of Port Hueneme. The City of Port Hueneme ("Port Hueneme") is located in the south-central portion of the County, on the Pacific Coast. Port Hueneme's active harbor is the only deep water port between Los Angeles and San Francisco. The port is a major import/export center, is the site of the largest dockside refrigeration storage facility on the West Coast, and also serves as the headquarters for the U.S. Naval Construction Battalion Center, home of the "Pacific Seabees."

City of Oxnard. The City of Oxnard ("Oxnard") is located approximately 30 miles west of Los Angeles. Oxnard was incorporated on June 30, 1903 and is a general law city and has a City Council/City Manager form of government. The City Manager is appointed by the City Council. The City Council is comprised of four councilmembers elected at large for four year overlapping terms, and the Mayor elected for a two year term.

Population

The following table shows the historical population figures for the Cities, the County and the State for the last 10 years.

**POPULATION ESTIMATES
2011 through 2020
City of Port Hueneme, City of Oxnard,
Ventura County and the State of California**

| <u>Year</u> ⁽¹⁾ | <u>City of Port Hueneme</u> | <u>City of Oxnard</u> | <u>Ventura County</u> | <u>State of California</u> |
|----------------------------|---------------------------------|---------------------------|---------------------------|--------------------------------|
| 2011 | 21,585 | 199,734 | 829,790 | 37,561,624 |
| 2012 | 21,759 | 200,756 | 834,960 | 37,924,661 |
| 2013 | 22,366 | 201,469 | 840,637 | 38,269,864 |
| 2014 | 22,711 | 203,436 | 845,279 | 38,556,731 |
| 2015 | 23,032 | 205,512 | 848,532 | 38,870,150 |
| 2016 | 23,127 | 206,085 | 849,831 | 39,131,307 |
| 2017 | 23,119 | 205,974 | 849,057 | 39,398,702 |
| 2018 | 23,370 | 206,222 | 849,324 | 39,586,646 |
| 2019 | 23,457 | 206,221 | 846,050 | 39,695,376 |
| 2020 | 23,607 | 206,352 | 842,886 | 39,782,870 |

⁽¹⁾ As of January 1.

Source: 2011-2020 (2010 Census Benchmark): California Department of Finance for January 1.

Income

The following table summarizes per capita personal income for the County, the State, and the United States for the years 2010 through 2019.

**PER CAPITA PERSONAL INCOME
2010 through 2019
Ventura County, the State of California and United States**

| <u>Year</u> | <u>Ventura County</u> | <u>State of California</u> | <u>United States</u> |
|-------------|-----------------------|----------------------------|----------------------|
| 2010 | \$45,910 | \$43,636 | \$40,547 |
| 2011 | 48,059 | 46,175 | 42,739 |
| 2012 | 49,993 | 48,813 | 44,605 |
| 2013 | 50,475 | 49,303 | 44,860 |
| 2014 | 53,031 | 52,363 | 47,071 |
| 2015 | 55,711 | 55,808 | 48,994 |
| 2016 | 57,136 | 57,801 | 49,890 |
| 2017 | 58,761 | 60,219 | 51,910 |
| 2018 | 61,712 | 63,711 | 54,526 |
| 2019 | ⁽¹⁾ | 66,661 | 56,663 |

⁽¹⁾ 2019 figure not yet available.

Note: Per capita personal income was compiled using mid-year population estimates of the U.S. Bureau of the Census. Estimates for 2010 through 2018 reflect county population estimates available as of March 2019. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2015 through 2019 for the Cities, the County, the State of California and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2015 through 2019⁽¹⁾
City of Oxnard, City of Port Hueneme,
Ventura County, State of California, and the United States

| <u>Year and Area</u> | <u>Labor Force</u> | <u>Employment</u> | <u>Unemployment</u> | <u>Unemployment Rate (%)</u> |
|----------------------|--------------------|-------------------|---------------------|------------------------------|
| 2015 | | | | |
| City of Oxnard | 100,000 | 93,900 | 6,100 | 6.1 |
| City of Port Hueneme | 10,200 | 9,600 | 600 | 5.6 |
| Ventura County | 427,200 | 403,100 | 24,100 | 5.6 |
| California | 18,828,800 | 17,660,700 | 1,168,100 | 6.2 |
| United States | 157,130,000 | 148,834,000 | 8,296,000 | 5.3 |
| 2016 | | | | |
| City of Oxnard | 101,000 | 94,300 | 6,700 | 6.6 |
| City of Port Hueneme | 10,100 | 9,600 | 500 | 5.1 |
| Ventura County | 425,300 | 403,100 | 22,200 | 5.2 |
| California | 19,021,200 | 17,980,100 | 1,041,100 | 5.5 |
| United States | 159,187,000 | 151,436,000 | 7,751,000 | 4.9 |
| 2017 | | | | |
| City of Oxnard | 100,900 | 95,200 | 5,700 | 5.6 |
| City of Port Hueneme | 10,100 | 9,700 | 400 | 4.4 |
| Ventura County | 424,200 | 405,100 | 19,100 | 4.5 |
| California | 19,176,400 | 18,257,100 | 919,300 | 4.8 |
| United States | 160,320,000 | 153,337,000 | 6,982,000 | 4.4 |
| 2018 | | | | |
| City of Oxnard | 101,000 | 96,000 | 4,900 | 4.9 |
| City of Port Hueneme | 10,100 | 9,700 | 400 | 3.8 |
| Ventura County | 423,600 | 407,300 | 16,300 | 3.8 |
| California | 19,280,800 | 18,460,700 | 820,100 | 4.3 |
| United States | 162,075,000 | 155,761,000 | 6,314,000 | 3.9 |
| 2019 | | | | |
| City of Oxnard | 100,800 | 96,200 | 4,600 | 4.6 |
| City of Port Hueneme | 10,100 | 9,700 | 400 | 3.5 |
| Ventura County | 423,400 | 408,200 | 15,200 | 3.6 |
| California | 19,411,600 | 18,267,400 | 784,200 | 4.0 |
| United States | 163,539,000 | 157,538,000 | 6,001,000 | 3.7 |

Note: Data is not seasonally adjusted.

⁽¹⁾ Annual averages, unless otherwise specified.

⁽²⁾ Includes persons involved in labor-management trade disputes.

⁽³⁾ The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2019 Benchmark.

Industry

The County is located in the Oxnard-Thousand Oaks-Ventura Metropolitan Statistical Area. The distribution of employment is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2015 through 2019
Ventura County (Oxnard-Thousand Oaks-Ventura Metropolitan Statistical Area)

| <u>Category</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Total Farm | 26,300 | 25,200 | 23,800 | 24,300 | 24,700 |
| Total Nonfarm | 296,500 | 300,400 | 305,400 | 309,100 | 311,800 |
| Total Private | 251,100 | 253,800 | 258,500 | 262,200 | 264,600 |
| Goods Producing | 41,100 | 41,200 | 42,200 | 43,900 | 44,400 |
| Mining, Logging and Construction | 15,200 | 15,500 | 16,600 | 17,700 | 18,000 |
| Manufacturing | 25,900 | 25,700 | 25,600 | 26,200 | 26,400 |
| Nondurable Goods | 7,000 | 7,100 | 7,000 | 6,700 | 7,100 |
| Service Providing | 255,400 | 259,200 | 263,200 | 265,200 | 267,300 |
| Private Service Producing | 210,000 | 212,600 | 216,300 | 218,300 | 220,100 |
| Trade, Transportation and Utilities | 58,500 | 59,000 | 59,500 | 59,000 | 58,000 |
| Wholesale Trade | 12,600 | 13,000 | 13,200 | 13,100 | 13,200 |
| Retail Trade | 39,900 | 40,000 | 40,100 | 39,600 | 38,500 |
| Transportation, Warehousing and Utilities | 6,000 | 6,000 | 6,100 | 6,300 | 6,300 |
| Information | 5,100 | 5,000 | 5,000 | 5,000 | 4,900 |
| Financial Activities | 17,700 | 17,400 | 16,900 | 16,400 | 15,900 |
| Professional and Business Services | 40,500 | 40,900 | 42,200 | 42,900 | 44,400 |
| Educational and Health Services | 42,900 | 44,400 | 45,900 | 47,700 | 49,000 |
| Leisure and Hospitality | 35,700 | 36,400 | 37,200 | 37,800 | 38,300 |
| Other Services | 9,700 | 9,600 | 9,600 | 9,500 | 9,700 |
| Government | <u>45,400</u> | <u>46,600</u> | <u>46,900</u> | <u>46,900</u> | <u>47,200</u> |
| Total, All Industries | <u>322,800</u> | <u>325,700</u> | <u>329,200</u> | <u>333,400</u> | <u>336,500</u> |

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: *State of California, Employment Development Department, Labor Market Information Division, Average Labor Force and Industry Employment. March 2019 Benchmark.*

Principal Employers

The following table list the largest employers in the County for the fiscal year ended June 30, 2019.

**PRINCIPAL EMPLOYERS
2019
Ventura County**

| <u>Employer</u> | <u>Industry</u> | <u>Number of Employees</u> |
|-------------------------------------------|-------------------------------|----------------------------|
| United States Naval Base | National Security | 18,776 |
| County of Ventura | Public Administration | 8,435 |
| Amgen, Inc. | Chemicals and Allied Products | 5,500 |
| Anthem, Inc. (previously Wellpoint, Inc.) | Healthcare | 2,860 |
| Simi Valley Unified School District | Education | 2,737 |
| Community Memorial Hospital | Healthcare | 2,300 |
| Conejo Valley Unified School District | Education | 2,050 |
| Dignity Health (St. John's) | Healthcare | 2,016 |
| Ventura Unified School District | Education | 1,835 |
| Oxnard Union School District | Education | 1,654 |

Source: County of Ventura Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2019.

Commercial Activity

Summaries of annual taxable sales for the County and the Cities from 2015 through 2019 are shown in the following tables.

**TAXABLE SALES
2015 through 2019
Ventura County
(Dollars in Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|-------------------------------------------|----------------------|-------------------------------------------|
| 2015 | 15,052 | \$9,707,421 | 25,455 | \$13,876,397 |
| 2016 | 15,371 | 9,864,805 | 25,891 | 13,835,876 |
| 2017 | 15,751 | 10,201,388 | 26,392 | 14,000,695 |
| 2018 | 15,632 | 10,486,735 | 26,954 | 14,323,432 |
| 2019 | 15,822 | 10,701,509 | 27,755 | 14,779,590 |

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

**TAXABLE SALES
2015 through 2019
City of Oxnard
(Dollars in Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|---------------------------------------------------|----------------------|---------------------------------------------------|
| 2015 | 2,487 | \$2,010,800 | 4,036 | \$2,567,370 |
| 2016 | 2,565 | 2,130,664 | 4,193 | 2,684,065 |
| 2017 | 2,653 | 2,200,854 | 4,287 | 2,781,177 |
| 2018 | 2,688 | 2,272,387 | 4,463 | 2,889,596 |
| 2019 | 2,739 | 2,297,559 | 4,615 | 2,939,107 |

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

**TAXABLE SALES
2015 through 2019
City of Port Hueneme
(Dollars in Thousands)**

| <u>Year</u> | <u>Retail Permits</u> | <u>Retail Stores Taxable Transactions</u> | <u>Total Permits</u> | <u>Total Outlets Taxable Transactions</u> |
|-------------|-----------------------|---------------------------------------------------|----------------------|---------------------------------------------------|
| 2015 | 213 | \$77,910 | 340 | \$87,904 |
| 2016 | 227 | 84,876 | 345 | 93,517 |
| 2017 | 254 | 95,419 | 381 | 102,898 |
| 2018 | 262 | 110,067 | 399 | 118,660 |
| 2019 | 254 | 136,849 | 398 | 148,834 |

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2015 through 2019 for the County and the Cities are shown in the following tables.

**BUILDING PERMITS AND VALUATIONS
2015 through 2019
Ventura County
(Dollars in Thousands)**

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------|----------------|----------------|----------------|----------------|----------------|
| Valuation | | | | | |
| Residential | \$374,014 | \$448,431 | \$698,787 | \$648,051 | \$426,905 |
| Non-Residential | <u>189,936</u> | <u>188,450</u> | <u>226,873</u> | <u>357,979</u> | <u>205,912</u> |
| Total | \$563,950 | \$636,881 | \$925,660 | \$1,006,030 | \$632,817 |
| Units | | | | | |
| Single Family | 615 | 652 | 851 | 637 | 731 |
| Multiple Family | <u>394</u> | <u>1,011</u> | <u>1,638</u> | <u>612</u> | <u>697</u> |
| Total | 1,009 | 1,663 | 2,489 | 1,249 | 1,428 |

Note: Columns may not sum to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2015 through 2019
City of Oxnard
(Dollars in Thousands)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Valuation (\$000's) | | | | | |
| Residential | \$60,565 | \$141,748 | \$102,414 | \$38,516 | \$47,859 |
| Non-Residential | <u>21,528</u> | <u>31,968</u> | <u>40,580</u> | <u>41,241</u> | <u>48,539</u> |
| Total | \$82,093 | \$173,716 | \$142,994 | \$79,757 | \$96,398 |
| Units | | | | | |
| Single Family | 146 | 144 | 198 | 40 | 65 |
| Multi-Family | <u>83</u> | <u>579</u> | <u>482</u> | <u>56</u> | <u>71</u> |
| Total | 229 | 723 | 680 | 96 | 136 |

Note: Columns may not sum to totals due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2015 through 2019
City of Port Hueneme
(Dollars in Thousands)

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---------------------|--------------|--------------|--------------|--------------|--------------|
| Valuation (\$000's) | | | | | |
| Residential | \$5,036 | \$3,098 | \$3,437 | \$4,289 | \$4,970 |
| Non-Residential | <u>1,986</u> | <u>2,593</u> | <u>2,796</u> | <u>2,524</u> | <u>1,057</u> |
| Total | \$7,022 | \$5,691 | \$6,233 | \$6,813 | \$6,027 |
| Units | | | | | |
| Single Family | 0 | 0 | 0 | 0 | 0 |
| Multi-Family | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 0 | 0 | 0 | 0 | 0 |

Note: Columns may not sum to totals due to rounding.
Source: Construction Industry Research Board.

Transportation

Access to job opportunities in Los Angeles County and Santa Barbara County has been one of the major factors in the County's employment and population growth. Several major freeways and highways provide access between the County and all parts of Southern California. U.S. Highway 101 extends through the southwestern portion of the County and links the major cities in the County to the Los Angeles metropolitan area and to Santa Barbara County. Running easterly from U.S. 101, State Highway 126 passes through Santa Paula and Fillmore to connect with Interstate Highway 5 in Los Angeles County. State Highway 118 extends between U.S. 101 and Interstate Highway 5 and provides access between Simi Valley and the San Fernando Valley. The Pacific Coast Highway (State Highway 1) follows the coastline from Oxnard south towards Los Angeles.

Currently, the County has two intercity bus lines which provide a transit alternative to the auto. South Coast Area Transit ("SCAT"), a regional public agency funded by participating cities and the County, provides service from Ventura to and from Oxnard, Ojai and Port Hueneme. Another publicly-funded service, Vista, operates along Highways 101, 118 and 126, with stops at major cities in between.

The line is designed to tie into Los Angeles County Metropolitan Transportation Authority bus service at Thousand Oaks which then transports passengers to Los Angeles County destinations.

Regional bus service is provided by SCAT in participating cities including Oxnard, Ventura, Ojai and Port Hueneme. Local bus service is provided by the cities of Thousand Oaks, Moorpark, Ojai, Simi Valley and Camarillo. Additionally, private bus service is provided from Ventura to Los Angeles International Airport with stops at major cities in between.

Passenger service is also provided by (i) AMTRAK, (ii) Metrolink, a commuter rail service linking portions of the County with downtown Los Angeles, and (iii) Greyhound Lines, which provides bus services. Union Pacific Railroad handles most of the freight train movement in the County. The Ventura County Railway Company is a local railroad, which provides services between the Union Pacific Line and the Port of Hueneme and intermediate industrial parks.

The County seat in the City of Ventura is within a 90-minute drive of Santa Barbara Airport, the Hollywood/Burbank Airport and the Los Angeles International Airport (“LAX”). The County itself has three smaller airports. The County operates two of these: Oxnard Airport, which provides air taxi service to LAX and other limited commuter lines and serves as a general aviation field, and Camarillo Airport which serves as a general aviation field. The Santa Paula Airport is a privately-owned facility. The Port of Hueneme (the “Port”) is designated as an official “port of entry” under the U.S. Department of Customs, a Foreign Trade Zone under the U.S. Department of Defense and Transportation and is the only commercial deep-draft harbor between Los Angeles and San Francisco. The Port is owned and operated by the Oxnard Harbor District, an independent special district which was formed for the purpose of developing and operating the commercial terminal facilities at the Port. Port operations are self-sustaining and are supported by revenues derived from operations and tenant activities.

The Port has five 600-foot deep-draft berths and a 36-foot entrance channel depth. Expanded joint use with the Navy for Wharf 3 and a direct corridor connecting the Port and Highway 101 increase future capabilities and alleviate truck traffic on city streets. The Port has good rail access and covered storage facilities adjacent to the berths. A 137,000 square-foot dockside refrigerated transit shed has attracted several substantial customers, including Sunkist Growers, Del Monte and Pacific Fruit under contract with Cool Carriers. More than 300,000 automobiles per year are processed through the Port annually. More than \$4 billion worth of cargo is moved through the Port annually. Automobiles, bananas and fresh fruit continue to be the top commodities handled by the Port.

Education

Public school education is available through eleven elementary, two high school and seven unified school districts. Enrollment figures for public schools reported for the 2019-20 school year were approximately 135,312 students.⁽¹⁾ Additionally, there are approximately 90 private schools in the County.

The Ventura County Community College District has three campuses, one in each of the cities of Oxnard, Ventura and Moorpark. The latest enrollment count is approximately 35,000 (unduplicated) students.⁽²⁾

California Lutheran University, a privately-endowed, four year liberal arts college, is located in Thousand Oaks. The latest enrollment was 3,078 full-time undergraduate students and 1,225 graduate students representing 42 states and 49 foreign countries.⁽³⁾ The University of California, Santa Barbara, Cal State University Northridge and Pepperdine University also offer courses in the County with some graduate programs.

California State University Channel Islands (“CSUCI”) is the newest California State University campus; it opened for students in 2005. Located on the 670-acre site of the former Camarillo State Hospital grounds, CSUCI expects to reach full capacity by 2025, with a student enrollment of 15,000 students. In addition to eight traditional major fields, CSUCI offers a teaching credential program, a California Mini-Corps program, and a Baccalaureate in Nursing program.

⁽¹⁾ Source: *California Department of Education.*

⁽²⁾ Source: *Ventura County Community College District (www.vccd.edu).*

⁽³⁾ Source: *California Lutheran University.*

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APPENDIX E

VENTURA COUNTY STATEMENT OF INVESTMENT POLICY AND REPORT OF INVESTMENTS

The following information concerning the Ventura County Investment Pool (the “Investment Pool”) has been provided by the Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.

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VENTURA COUNTY
STATEMENT OF INVESTMENT POLICY

AS APPROVED DECEMBER 4, 2018



BOARD OF SUPERVISORS

SUPERVISOR PETER C. FOY, DISTRICT 4, CHAIR

SUPERVISOR STEVE BENNETT, DISTRICT 1

SUPERVISOR LINDA PARKS, DISTRICT 2,

SUPERVISOR KELLY LONG, DISTRICT 3

SUPERVISOR JOHN C. ZARAGOZA, DISTRICT 5

Judge Steven Hintz
Treasurer-Tax Collector

Sue Horgan
Assistant Treasurer-Tax Collector

Ventura County Treasurer-Tax Collector's Office
800 South Victoria Avenue, L#1290
Ventura, CA 93009-1290
E-mail helpinghand@ventura.org
Website: www.ventura.org/ttc

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STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy (“Policy”) provides the guidelines for prudent investment of public funds in a manner which will provide the highest investment return with optimal security and liquidity. The Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000 - 27000.5; 27130 - 27137; and 53600 - 53686. Furthermore, it outlines the policies essential to ensuring the safety and financial strength of the County’s investment portfolio.

This Policy is based on the principles of prudent money management and conforms to all applicable Federal and State laws governing the investment of public funds. In instances in which the Policy is more restrictive than Federal or State law, the Policy will supersede.

The Policy shall be reviewed annually and any modifications made thereto must be approved by the Board of Supervisors.

Introduction

The Treasurer-Tax Collector of Ventura County manages pooled cash under the prudent investor rule. This rule states that:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

This rule allows the County the option to operate over a broad spectrum of investment opportunity defined within Section 53601 *et seq* of the California Government Code. Therefore, the County's portfolio will be made up of a selection of investments that ensure diversification and meet the liquidity needs of the organization. The major overriding premise underlying the County's investment objective is always to ensure that funds are available when needed.

Investment Objective

It is the policy of the County to invest public funds in a manner which will provide for the preservation of capital while meeting the daily cash flow requirements of the County and other participants, while attaining a market average yield within an acceptable and defined level of risk.

The Policy has three primary objectives, in order of priority:

- 1) The safety of principal.
- 2) Maintenance of liquidity to meet cash flow needs.
- 3) To earn a competitive rate of return (i.e., yield) within the confines of the California Government Code, this policy, and procedural structure.

In order to accomplish the objectives of safety, liquidity, and yield, the economy and various financial markets are monitored daily in order to assess the probable course of interest rates and thus maximize yield on the County's temporarily idle funds. In a market with increasing interest rates, the Treasury will attempt to invest in securities with shorter maturities. This strategy allows funds to be available for other investments when interest rates are at higher levels. Conversely, when interest rates appear to be near a plateau, the Treasury will attempt to lock in a higher rate of return. The length of term for all investments shall be commensurate with the short, medium, and long-term cash flow needs of the County and other investment pool participants.

Investment and the Notion of Risk

In order to accomplish the investment philosophy outlined above, the concept of risk must be clearly defined as it relates to the investment of public funds. This concept of risk finds its ultimate translation into a structured and well-diversified portfolio.

The County shall ensure the safety of its idle funds by limiting credit and interest rate risk. These are the two types of risk that can clearly damage a public sector portfolio.

Credit risk is defined as the risk of loss due to the failure of the issuer of a security and shall be mitigated by:

- 1) Pre-qualifying financial institutions with which it will do business through the utilization of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.
- 2) Diversifying the portfolio so that the failure of any one issuer or backer will not place any undue financial burden on the County.
- 3) Monitor all County investments on a daily basis to anticipate and respond appropriately to a significant reduction in the credit worthiness of a depository.

Interest rate risk is defined as the risk that the market value of portfolio securities will fall due to an increase in interest rates. This risk shall be mitigated by:

- 1) Structuring the portfolio so that securities mature at times to meet the ongoing cash needs of the County.
- 2) Restructure of the portfolio to minimize the loss of market value or cash flow.
- 3) Limit the weighted average maturity of the portfolio holdings to 375 days.

The investment program of Ventura County shall be managed with a degree of professionalism that is worthy of the public trust and adheres to the tenets of modern portfolio theory.

The Treasury is very cognizant of past losses of public funds by local agencies throughout California. Those losses resulted in a loss of confidence by the public in public sector investment expertise. This policy seeks to ensure that proper controls are maintained by the Treasurer-Tax Collector and subordinate staff.

There are times when it becomes necessary for losses to be taken:

- A) Interest rates appear to be rising and the funds can be invested shorter term at higher rates.
- B) When opportunities arise that will result in an increase in overall interest income to the County.
- C) When cash needs are greater than expected.

Therefore, in order to mitigate these event risks to the County's portfolio all investment losses shall be approved by the Treasurer-Tax Collector, exclusively. This authority shall not be delegated.

Liquidity

The County's portfolio will be structured so that securities will mature at or about the same time as cash is needed to meet demand and in accordance with the economic projections mentioned above.

The Treasury will construct a portfolio that will consist of securities with active secondary and resale markets. Any investments for which no secondary market exists, such as time deposits, shall not exceed 375 days and no investment will have a maturity of more than 1150 days.

Yield

The Treasurer-Tax Collector shall always attempt to obtain a competitive rate of return on any investment type consistent with the required safety, liquidity, and other parameters of this policy, departmental procedures, and the laws of the State of California.

INTERNAL CONTROLS

The Treasurer-Tax Collector shall establish a system of internal controls, which shall be documented in writing. The controls will be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, and unanticipated changes in financial markets.

Except for declared emergencies, the County Treasurer-Tax Collector's Office shall observe the following procedures on a daily basis:

- All investment transactions shall be entered into the accounting system.
- County investments shall be transacted, confirmed, accounted for, and audited by different people.

Safekeeping of Securities

To protect against potential losses caused by the collapse of individual securities dealers, all securities owned by the County, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department, acting as agent for the County under the terms of a custody agreement executed by the bank and the Treasurer-Tax Collector. All trades executed between the County and a dealer will settle on a delivery vs. payment basis with a custodial bank. All security transactions engaged in by the Treasurer-Tax Collector shall be countersigned by another authorized treasury department employee.

Security Custody & Deliveries

All securities purchased shall be deposited for safekeeping with the custodial bank that has contracted to provide the County Treasurer with custodial security clearance services.

All security holdings shall be reconciled monthly by the County Treasurer-Tax Collector's Office and audited at least quarterly by the Auditor-Controller's Office.

All security transactions are to be conducted on a "delivery-versus-payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Confirmations resulting from securities purchased under repurchase agreements should clearly state the exact and complete nomenclature of the underlying securities purchased, that these securities have been sold to the County under a repurchase agreement, and the stipulated date and amount of the resale by the County back to the seller of the securities.

SECURITY INSTRUMENTS

Qualifications of Brokers, Dealers, and Financial Institutions

The Treasurer-Tax Collector will maintain a list of approved financial institutions authorized to provide investment services. Additionally, the Treasurer-Tax Collector shall transact business only with approved direct issuers; security brokers/dealers selected by credit worthiness that licensed by the State of California and licensed by the Financial Industry Regulatory Authority (FINRA); National or State chartered bank or savings institutions; and primary government dealers designated by the Federal Reserve.

Any broker/dealer interested in conducting business with the County must have an office within the State of California and is required to fill out an extensive questionnaire maintained by the Treasurer-Tax Collector. This questionnaire is then reviewed by the Treasurer-Tax Collector and upon acceptance permits the County to deal with the broker/dealer.

The Treasurer-Tax Collector views the relationship of the firm and its representatives to the County as being a long-term mutually beneficial business relationship. The Treasurer-Tax Collector expects the firm and its staff to act with integrity and trust. The firm must ensure that its staff is aware of the County Treasurer's Investment Policy as well as California Government Code sections 53601 and 53635 that govern the securities transactions of the County. The firm will be required to annually issue written acknowledgment that it has read and will comply with the County's Investment Policy.

No broker/dealer may have made political contributions greater than the limits expressed in Rule G-37 of the Municipal Securities Rule Making Body to the Treasurer-Tax Collector, Board of Supervisors, or candidate for those offices, or Treasury Oversight Committee members.

The Treasury staff shall investigate dealers with which it will conduct business in order to determine: if the firm is adequately capitalized and meets the Federal Reserve's minimum capital requirements for broker/dealer operations, makes markets in securities appropriate to the County's investment policy, the individual covering the account has a minimum of three years dealing with large institutional accounts, and receives three favorable recommendations from other short term cash portfolio managers.

Upon application, all firms will provide a copy of their most recent published annual report; quarterly reports issued since the last annual report; Financial and Operational Combined Uniform Single (FOCUS) Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Furthermore, no later than July 31 of each calendar year, in addition to the required annual written acknowledgment of the Investment Policy compliance, only as requested by the Treasurer-Tax Collector, all firms will provide a copy of their most recent published annual report; FOCUS Report; organization chart; and any financial information regarding credit lines and debt support provided by the parent firm.

Ratings

With the exception of LAIF, insured deposits, and U.S. Treasury and Government Agency issues, investments shall be placed only in those instruments and institutions rated favorably as determined by the Treasurer-Tax Collector in accordance with this Statement and with the assistance of Moody's Investors Service, Standard and Poor's Ratings Services, and Fitch Ratings.

If the rating of any security drops below the minimum acceptable rating for that security class, the investment will be sold if no significant loss of principal is involved or matured at the earliest possible convenience. These sales must be individually approved by the Treasurer-Tax Collector. A rating of "NR" by one rating service is not a split rating and does not bar the purchase of the security.

U.S. Agencies

The purchase of U.S. agency securities shall be limited to issues of the Federal Farm Credit Banks (FFCB), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Freddie Mac/FHLMC), the Federal National Mortgage Corporation (Fannie Mae/FNMA), Federal Agricultural Mortgage Corporation (Farmer Mac/FAMCA), or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored or backed entity. The fund's holdings of any one federal agency security shall not exceed 25% of the total fund at the time of purchase. The maximum maturity of any one agency investment shall not exceed three years or 1150 days.

U. S. Government

United States Treasury Bills, Notes, and Bonds are backed by the full faith and credit of the United States Government. There shall be no limitation as to the percentage of the portfolio which can be invested in this category. The maturity of a security is limited to a maximum of three years or 1150 days.

Commercial Paper

Commercial Paper is a short term unsecured promissory note issued to finance short term credit needs. Commercial Paper eligible for investment must be of “prime” quality of the highest ranking or of the highest short-term letter and numerical rating as provided for by Standard and Poor's Ratings Services, Moody's Investors Service, and Fitch Ratings (S&P A-1+, A-1; Moody's P-1; Fitch F1+, F1). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of \$500 million and an “A” or higher rating for the issuer's debt, other than commercial paper, if any, as provided for by S&P (A or higher), Moody's (A2 or higher) and Fitch (A or higher). Purchases of eligible Commercial Paper may not exceed 270 days to maturity. Purchases of Commercial Paper may not exceed 40 percent of the investment portfolio at the time of the purchase. No more than 10 percent of the total assets of the pool at the time of the purchase may be invested in the outstanding paper of any single issuing corporation. The Treasurer-Tax Collector shall establish a list of approved Commercial Paper issuers in which investments may be made.

Medium-Term Notes and Deposit Notes

Medium-Term Notes eligible for investment must be rated in the same categories described in **Commercial Paper**, above, to wit: Short-term ratings by S&P A-1 or higher; Moody's P-1; and Fitch F1 or higher; and long-term ratings of S&P A or higher, Moody's A2 or higher, and Fitch A or higher. Medium-Term Notes may not exceed 20 percent of the investment portfolio at the time of the purchase and may not have a maturity of longer than 2 years or 735 days.

Municipal Notes, Bonds and Other Obligations

Municipal notes, bonds, and other obligations eligible for investment are registered securities issued by the State of California and local California government agencies as well as registered securities issued by any of the other 49 states to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed 30 percent of the investment portfolio at the time of purchase and the maturity may not exceed three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

Bankers Acceptances

A Bankers Acceptance is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in the secondary market. Bankers Acceptances may be purchased for a period of up to 180 days and in an amount not to exceed 40 percent of the investment portfolio at the time of the purchase, with no more than 30 percent of the investment portfolio at the time of the purchase in the Bankers Acceptances of any one commercial bank. The Treasurer-

Tax Collector shall establish a list of those banks deemed most credit worthy for the investment in Bankers Acceptances, limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

Negotiable Certificates of Deposit and Yankee Certificates of Deposit

Negotiable Certificates of Deposit (NCD) are issued by commercial banks, foreign banks, and thrift institutions against funds deposited for a specified period of time and earn specified or variable rates of interest. The Treasurer-Tax Collector may invest up to 30 percent of the investment portfolio at the time of the purchase in NCD's. Negotiable certificates of deposit shall be limited to those institutions rated as noted in **Commercial Paper** and **Medium-Term Notes**, above.

NCD's differ from other Certificates of Deposit in that they are illiquid instruments which are traded in secondary markets. The maximum term to maturity of any NCD shall be one year or 365 days. The Treasurer-Tax Collector shall establish a list of eligible domestic commercial banks, thrifts and state licensed foreign banks (Yankee Certificates of Deposit) which will be eligible for investment.

Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors. The maximum term to maturity of any YCD shall be one year or 365 days.

Certificates of Deposit

Certificates of Deposit are deposits by the Treasurer-Tax Collector in commercial banks or savings and loan associations within the State of California and shall be limited to those institutions rated as noted above in **Negotiable Certificates of Deposit**. Local institutions shall receive preference for deposits up to \$250,000 if competitive rates are offered. These investments are non-negotiable. The maximum term to maturity shall not exceed one year or 365 days and shall be fully insured by the FDIC.

Repurchase Agreements

The County may invest in repurchase agreements with banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer-Tax Collector and will not be allowed to fall below 102% of the value borrowed against those funds. The value is adjusted quarterly based on the value of the repurchase agreement.

In order to conform with provisions of the Federal Bankruptcy Code which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers' acceptances, or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States. Furthermore, this collateral shall not exceed three years or 1150 days to maturity.

There shall be a \$75 million limitation in repurchase agreements entered into with any one institution.

Securities Lending

Securities Lending is permissible as an agreement to lend securities to a borrower who provides collateral to the local agency. The local agency retains ownership and continues to receive all interest, dividends, and capital appreciation. Both securities and collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

Local Agency Investment Fund

The Treasurer-Tax Collector may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.

CalTrust and California Asset Management Program (CAMP)

The Treasurer-Tax Collector may invest in The Investment Trust of California, doing business as CalTRUST, and in California Asset Management Program (CAMP), California joint powers authorities in which local agencies may invest funds pursuant to Government Code section 53601(p). The combined investment in CalTrust and CAMP shall not exceed \$25,000,000 at the time of the purchase. The Treasurer-Tax Collector shall withdraw its entire investment in a program if the S&P rating falls below AAF/S-1+ for CalTrust or AAAM for CAMP.

Local Agency Debt and State Warrants

The Treasurer-Tax Collector may invest in bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

The Treasurer-Tax Collector may invest in registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state, or by a department, board, agency, or authority of the state.

Supranationals

The Treasurer-Tax Collector may invest surplus funds to include United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB).

These instruments must have a maximum remaining maturity of three years (1150 days) or less, be eligible for purchase and sale within the United States, be S&P rated "AAA" and shall not exceed 30% of the investment pool.

Prohibited Transactions and Asset-Backed Securities

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the California Government Code.

The Treasurer-Tax Collector may not invest in asset backed securities such as Collateralized Mortgage Obligations.

Apportionment of Interest and Costs

Interest shall be apportioned to all pool 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 Investment Pool. 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-Tax Collector may deduct from the gross interest earnings those administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, cashiering, accounting, reporting remittance processing, depositing of public funds, audit, and any other costs as provided by Section 27013, 27133(f), and 27135.

AUTHORITY AND RESPONSIBILITIES OF THE TREASURER-TAX COLLECTOR

Delegation to Authority to Invest

The Treasurer-Tax Collector's authority to invest is delegated by the Board of Supervisors in accordance with the California Government Code Sections 27000.1 and 53607. Statutory authority for the investment and safekeeping functions are found in Sections 53600 et seq., and 53630 et seq., of the California Government Code.

The Treasurer-Tax Collector has the authority to react to unstable market conditions in order to preserve the safety, liquidity or yield of the portfolio. The Treasurer-Tax Collector's reaction may temporarily change the investment parameters or investment practices of the County until the market has stabilized or until the Board of Supervisors has approved a revised Investment Policy.

The Treasurer-Tax Collector shall immediately notify the Treasury Oversight Committee members and the Board of Supervisors at their next scheduled meeting of any changes to the investment parameters or practices that were precipitated by the unstable market conditions.

Authority to Execute Investment Transactions

The authority to execute investment transactions on a daily basis is limited to the Treasurer-Tax Collector. This function may be delegated to the Assistant Treasurer-Tax Collector and/or other Treasury personnel at the discretion of the Treasurer-Tax Collector.

Competitive Bidding

All purchase/sales shall be made only after a process of competitive bidding, unless information provided on electronic market quotation services, faxes, or email transmissions show current market rates. A minimum of three offer/bids should be obtained before an investment is purchased or sold. Exceptions to the above would involve transactions in U.S. Treasury or agency obligations, repurchase agreements, securities possessing unique characteristics which would make competitive bidding impractical, or market circumstances in which competitive bidding could be adverse to the best interest of the Treasurer-Tax Collector's investment program.

Place and Time for Conducting Business

Investment transactions shall not be conducted from any place other than the office of the Treasurer-Tax Collector during normal business hours established for Treasury operations. Exceptions must have the approval of the Treasurer-Tax Collector.

Conflict of Interest

No agency employee nor Treasury Oversight Committee member may directly or indirectly accept or solicit from any persons, corporations, or group having a business relationship with this Agency anything of economic value as a gift, gratuity, or favor which would be in conflict with the County Administrative Policy.

No agency employee nor Treasury Oversight Committee member shall, outside of regular working hours, engage in any profession, trade, business, or occupation which is incompatible or involves a conflict of interest with his duties as a county officer or employee, or which in any way may reflect unfavorably on this Agency, the appointing authority, or his fellow employees.

Portfolio Reporting

The Treasurer-Tax Collector shall prepare a monthly Investment Report to be presented at a regularly scheduled meeting of the Board of Supervisors, including a succinct management summary that provides a clear picture of the status of the current investment portfolio, market conditions and strategy for the coming months. The report will also include a listing of all investments by type, name of issuer, date of maturity, par and dollars amount invested in each security, investment, and the money within the Treasury. There will be a separate statement advising the Board of the longest maturity of a security in the portfolio. The report will contain a statement assuring the Board that the anticipated cash flow needs of the participants will be met. The report will also include a statement that the investment practices and portfolio holdings are in compliance with the investment policy or an explanation as to why there is a condition which exists outside of the investment policy. The Treasurer-Tax Collector will also provide a copy of the Investment Report to the Treasury Oversight Committee members at scheduled meetings.

Disaster Recovery Program

The Treasurer-Tax Collector's Disaster Plan includes critical phone numbers and addresses of key Treasury and investment personnel, as well as, currently approved bankers and broker/dealers. The plan provides for an offsite location to be communicated at the time of readiness if the Treasurer-Tax Collector's offices are uninhabitable. In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into an interest-bearing account.

Until normal operations of the Treasurer's office have been restored, the limitations on the size of an Individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and Pool Participants in a timely manner.

Extraordinary Withdrawals

The Treasurer-Tax Collector will maintain a schedule of seasonal deposits into and withdrawals from the investment pool by participating districts. Constant contact with the pool participants will be maintained to ascertain any cash needs beyond the anticipated cash-flow patterns. Our investment strategy is based upon the known cash-flow patterns, which allow the Treasurer-Tax Collector to maximize interest earnings for the County and other pool participants.

Extraordinary withdrawals could create a liquidity problem and negatively impact the earnings of the remaining pool participants if the Treasurer-Tax Collector is forced to liquidate securities before their scheduled maturity date. A pool participant who wishes to withdraw from the pool or make an extraordinary withdrawal, will be encouraged to work with the Treasury to arrange a withdrawal schedule that would prevent losses to the withdrawing district or the remaining pool participants. Losses experienced by the County investment pool, which were precipitated by the unnoticed extraordinary withdrawal of funds, will be borne by the district who caused such losses to occur. The Treasurer-Tax Collector reserves the right to choose which securities to liquidate and could choose to sell the securities that have the lowest earnings.

Terms and Conditions that a Local Agency May Participate in the Pool

Local agencies may, by resolution of their governing bodies and the approval of the Treasurer-Tax Collector, deposit excess funds in the County Treasury for the purpose of investment by the Treasurer-Tax Collector. The procedures for this process are contained in the Treasury Procedural Manual.

INVESTMENT GLOSSARY

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.

Agency Issues – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

Amortized Cost – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the purchase date until a specific date (also called “Book Value”).

Bankers Acceptance – Money market instrument created from transactions involving foreign trade. In its simplest and most traditional form, a bankers’ acceptance is merely a check, drawn on a bank by an importer or exporter of goods.

Basis Point – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

Benchmark – An index or security used to compare the performance of a portfolio.

Bond – A long-term debt instrument of a government or corporation promising payment of the original investment plus interest by a specified future date.

Bullet – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

Callable Bond – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

Collateralization – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

Collateralized Certificate of Deposit – An instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

Commercial Paper – Money Market instrument representing an unsecured short-term promissory note of a corporation at a specified rate of return for a specified period of time.

Coupon – The stated interest rate on a debt security that an issuer promises to pay.

Credit Quality – An indication of risk that an issuer of a security will fulfill its obligation, as rated by a rating agency.

Credit Rating – A standardized assessment, expressed in alphanumeric characters, of a company’s creditworthiness.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Derivatives – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

Discount Instruments – Securities that are sold at a discount to face value.

Diversification – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

Dollar Weighted Average Maturity – The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

Duration – Is a measure of the price volatility of a portfolio and reflects an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would decrease by 1.0 percent.

Earnings Apportionment – Is the quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

Government Obligations – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve Federal sponsorship or guarantees.

Government Sponsored Enterprises (GSE’S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government.

Highly Liquid – The most eminent type of security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

Illiquid – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. Also called “Market Risk”.

Liquid – A security that is easily bought and sold because of the willingness of interested buyers and sellers to trade large quantities at a reasonable price.

Local Agency Obligation – An indebtedness issued by a local agency, department, board, or authority within the State of California.

Long-Term – The term used to describe a security when the maturity is greater than one year.

Market Value – An estimate of the value of a security at which the principal would be sold from a willing seller to a willing buyer at the date of pricing.

Medium-Term Notes – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

Money Market Mutual Fund – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

Municipal Notes, Bonds and Other Obligations - Municipal notes, bonds, and other obligations are securities issued by state and local government agencies to finance capital and operating expenses. The characteristics of a municipal bond or note often are similar to the characteristics of corporate bonds and notes or the U.S. government and federal agency bonds and notes. Municipal notes normally have a specific maturity date, and bear interest that is scheduled to be paid at specific intervals. Municipal notes, bonds and other obligations may not exceed a maximum of three years or 1150 days. Municipal notes must meet the minimum debt rating described above in Medium Term Notes and Deposit Notes.

Negotiable Certificate of Deposit – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time that is traded in secondary markets.

Par – The stated maturity value, or face value, of a security.

Pass-Through Securities – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond.

Pool – In this context, the pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

Portfolio Value – The total book value amount of all the securities held in the Treasurer's Pooled Money Fund.

Primary Dealer – A group of dealers and banks that can buy and sell securities directly with the Federal Reserve Bank of New York.

Private Placements – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

Range Notes – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

Repurchase Agreement – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

Reverse Repurchase Agreement – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

Safekeeping – A custodian bank’s action to store and protect an investor’s securities by segregating and identifying the securities.

Securities Lending – A transaction wherein the Treasurer’s Pool 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.

Short-Term – The term used to describe a security when the maturity is one year or less.

Supranationals – Senior unsecured unsubordinated obligations that are issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. They are eligible for purchase and sale within the United States and approved for investments by local agencies in California as of January 1, 2015.

Total Return – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

Voluntary Participants – Local agencies that are not required to deposit their funds with the County Treasurer.

Weighted Average Maturity – The remaining average maturity of all securities held in a portfolio.

Yankee Certificates of Deposit - Yankee Certificates of Deposit (YCD) are issued in the United States by a branch or agency of a foreign bank. They are negotiable instruments, and most have a minimum face value of \$100,000, making them appropriate for large investors.

Yield – The gain, expressed as a percentage that an investor derives from a financial asset.

Yield to Maturity – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

APPENDIX A: INVESTMENT INSTRUMENTS

| Investment Instruments | Maximum Maturity | Maximum Specified Percentage of Portfolio | Approved Selected Agencies |
|--------------------------------------------------|-----------------------------|--------------------------------------------------|-----------------------------------|
| U.S. Agencies | 3 years or 1150 days | N/A | Yes |
| Commercial Paper (CP) | 270 days | 40% | Yes |
| Medium Term Notes (MTN) | 2 years or 735 days | 20% | Yes |
| Supranationals | 3 years (1150 days) or less | 30% | Yes |
| U.S. Government Treasury Bills, Notes, and Bonds | 3 years or 1150 days | N/A | |
| Yankee Certificates of Deposit (YCD) | 1 year or 365 days | 30% | Yes |
| Negotiable Certificates of Deposit (NCD) | 1 year or 365 days | 30% | Yes |
| Certificates of Deposits (CD) | 1 year or 365 days | 30% | Yes |
| Local Agency Investment Fund (LAIF) | N/A | Maximum As Permitted by State Law | |
| CalTrust/CAMP | | \$25 MM | |
| Munis | 3 years or 1150 days | 30% | |



TREASURER-TAX COLLECTOR VENTURA COUNTY

STEVEN HINTZ
TREASURER
TAX COLLECTOR

Sue Horgan
Assistant Treasurer-Tax Collector

July 21, 2020

Ventura County Board of Supervisors
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Receive and File Report of Investments, Including Market Values for Investments for the Month Ending May 31, 2020.

RECOMMENDATION: Receive and File

FISCAL/MANDATES IMPACT: None

DISCUSSION:

This report covers the one-month period ending May 31, 2020.

The **average daily portfolio balance** for May was \$3.157 Billion, a significant increase that results in the highest average daily balance ever reported. I expect the average daily balance to remain close to \$3 Billion throughout June.

The **annualized percentage yield** for May was 1.604%, another decrease from April. There were no additional rate cuts, and some of the volatility has gone out of the interest rate market.

In May, the portfolio's net yield continued to **exceed all three benchmarks**, shown at the far right of Exhibit 5. Another noteworthy factor is that all three of our benchmarks have shown a clearly sharper rate of decline than has our pool, over the last several months. The separation between the yields of similar pools is alpha, the measure of gain produced by the efforts of management. Exhibit 5, the bar chart showing the performance of our pool with our three benchmarks, has been re-worked. We realized that we had been using the wrong reported result from CalTrust since we first added the exhibit.

Going forward, if the current portfolio investments were all held to maturity, the portfolio's **approximate yield to maturity** is 1.52%, a significant decline from April of 15 basis points.

800 South Victoria Avenue, Ventura, California 93009-1290

www.venturapropertytax.org (805) 654-3734

Since only four of the many May investments shown in Exhibit 2 produce a yield that high, the portfolio's percentage yield will continue to decline. If the interest rate market stabilizes at its current levels, our portfolio's approximate yield to maturity and annualized percentage yield may be as low as 1.35% in the reports for June and July, which will be delivered in September.

The **total net earnings** for May were \$4.299 Million, a decrease from April of \$282,000, reflecting the declining percentage yield.

The **weighted average days to maturity** rose slightly to 226 days. The interest-rate sensitivity measure of **effective duration** rose to 0.431. Both numbers reflect the move to shorter-term investments to take advantage of what is still an inverted yield curve that rewards shorter-term investments.

The **three largest sectors**, by percentage, were: Yankee Certificates of Deposit (26.09%) Commercial Paper (26.02%); and Medium Term Notes (15.12%). The **three largest issuers** by percentage, were: Toyota Motor Credit Company (9.46%); Korea Development Bank (7.91%); and Federal Farm Credit Bureau (7.10%). The **three highest-yielding sectors**, by annualized percentage yield, were: Municipal Bonds (1.760%); Government Agencies (1.730%); and Medium-Term Notes (1.580%). The portfolio is well-diversified and is within the limits of our investment policy and applicable State guidelines.

The portfolio has been managed with the stated objectives of safety, liquidity, and earning a competitive return, as outlined in the Statement of Investment Policy. In striving to maintain **the primary objective, safety of principal**, the County of Ventura has continuously maintained a rating of AAaf/S1+ by Standard & Poor's, the highest rating given by that agency, and re-affirmed in December 2019. The rating reflects S&P's opinion that the portfolio is well-managed, credit-worthy, well-diversified, and has a low sensitivity to interest rate variations. Regarding **the secondary objective of maintaining sufficient liquidity** to meet cash flow needs, the portfolio maintains significant cash reserves in the County's bank, as well as significant holdings in LAIF and CalTrust. The portfolio has the ability to meet its participants' expenditure requirements for the next six months, pursuant to a daily study of projected cash flows. All of the portfolio's assets have a well-developed resale market, although of course it is our policy not to sell. **Earning a competitive rate of return** is reflected by our performance against our benchmarks, even though they each have less restrictive investment policies than ours, and either has no S&P rating like LAIF or a lower S&P rating like CalTrust.

The portfolio has been managed for several months on the assumption that monthly yields will decline. The Investment Work Group has already switched its focus to the challenges of investing in a declining market without approaching the boundaries imposed by our Statement of Investment Policy and by the Standard and Poor's ratings team.

This letter has been reviewed and approved as to form by the County Executive Office, the Auditor-Controller's Office, and County Counsel.

Please contact me at 805-654-3726 if you have any questions or require further information regarding this item.

Sincerely,



STEVEN HINTZ
Treasurer-Tax Collector

- Exhibit 1 – Wells Fargo Market/Cost Value Comparison Report – Month End 5/31/2020
- Exhibit 2 – Monthly Transactions Report – May 2020
- Exhibit 3 – Portfolio Average Monthly Balance Graph – May 2018-2020
- Exhibit 4 – Average Maturity Graph – May 2018-2020
- Exhibit 5 – Yield Comparison Graph – May 2019-2020
- Exhibit 6 – Rolling 2-Year % Yield Graph – May 2018-2020 (Ventura)
- Exhibit 7 – Rolling 2-Year \$ Yield Graph – May 2018-2020
- Exhibit 8 – Portfolio Holdings by Class Graph – May 2020

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|----------------------------------------------|-----------------|----------------------|----------------------------------------|---------------------|-------------------------|------------|-------------------------|-----------------------|----------------------------|-----------------------|
| ACCOUNT: 11435100 COUNTY OF VENTURA | | | | | | | | | | |
| NET CASH | | | | | | | | | | |
| NET CASH | .0000 | | \$.00 | \$.00 | \$.00 | .00 | | | .0000 | .00 |
| | U.S. DOLLARS | | | | | | | | | |
| SUBTOTAL | .0000 | | \$.00 | \$.00 | \$.00 | .00 | | | .0000 | .00 |
| SAVINGS & CERTIFICATES OF DEPOSIT | | | | | | | | | | |
| MARKETABLE CERTIFICATES OF DEPOSIT | | | | | | | | | | |
| 05971XTB7 | 20,000,000.0000 | 08/13/2020 | \$20,039,200.00 | \$20,001,327.84 | \$37,872.16 | .19 | N/A | N/A | .0000 | .00 |
| | | | BANCO DEL ESTA DE CHLE CERT OF DEPOSIT | | | | | | | |
| 05971XTQ4 | 10,000,000.0000 | 08/31/2020 | \$9,999,400.00 | \$10,000,532.89 | (\$1,132.89) | (.01) | N/A | N/A | .0000 | .00 |
| | | | BANCO DEL ESTA DE CHLE CERT OF DEPOSIT | | | | | | | |
| 23328AN91 | 10,000,000.0000 | 07/20/2020 | \$10,007,100.00 | \$10,000,757.05 | \$6,342.95 | .06 | N/A | N/A | .0000 | .00 |
| | | | DG BANK, NY BRANCH CERT OF DEPOSIT | | | | | | | |
| 23328AP57 | 10,000,000.0000 | 08/12/2020 | \$10,000,800.00 | \$10,000,510.82 | \$289.18 | .00 | N/A | N/A | .0000 | .00 |
| | | | DG BANK, NY BRANCH CERT OF DEPOSIT | | | | | | | |
| 48668MC92 | 10,000,000.0000 | 07/08/2020 | \$10,012,000.00 | \$10,001,369.64 | \$10,630.36 | .11 | N/A | N/A | .0000 | .00 |
| | | | KOOKMIN BANK NY BRCH CERT OF DEPOSIT | | | | | | | |
| 48668MD42 | 10,000,000.0000 | 08/20/2020 | \$10,031,900.00 | \$10,002,988.33 | \$28,911.67 | .29 | N/A | N/A | .0000 | .00 |
| | | | KOOKMIN BANK NY BRCH CERT OF DEPOSIT | | | | | | | |
| 50066BRQ6 | 10,000,000.0000 | 06/08/2020 | \$10,004,900.00 | \$10,000,418.98 | \$4,481.02 | .04 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BRU7 | 20,000,000.0000 | 07/02/2020 | \$20,028,800.00 | \$20,001,720.50 | \$27,079.50 | .14 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BRZ6 | 10,000,000.0000 | 07/30/2020 | \$10,022,500.00 | \$10,000,926.20 | \$21,573.80 | .22 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSB8 | 10,000,000.0000 | 07/28/2020 | \$10,022,000.00 | \$10,000,882.00 | \$21,118.00 | .21 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSE2 | 10,000,000.0000 | 09/25/2020 | \$10,061,800.00 | \$10,002,011.00 | \$59,789.00 | .60 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSG7 | 10,000,000.0000 | 10/01/2020 | \$10,056,300.00 | \$10,001,500.00 | \$54,800.00 | .55 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|----------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 50066BSQ5 | 10,000,000.0000 | 11/18/2020 | \$10,027,600.00 | \$10,000,579.95 | \$27,020.05 | .27 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSW2 | 10,000,000.0000 | 09/14/2020 | \$9,998,500.00 | \$10,000,693.67 | (\$2,193.67) | (.02) | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSX0 | 10,000,000.0000 | 10/15/2020 | \$10,002,200.00 | \$10,000,000.00 | \$2,200.00 | .02 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 50066BSY8 | 10,000,000.0000 | 11/20/2020 | \$10,003,100.00 | \$10,000,526.67 | \$2,573.33 | .03 | N/A | N/A | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CERT OF DEPOSIT | | | | | | | |
| 63375P5S4 | 10,000,000.0000 | 09/25/2020 | \$10,050,000.00 | \$10,001,980.96 | \$48,019.04 | .48 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63375P6W4 | 15,000,000.0000 | 06/05/2020 | \$15,005,700.00 | \$15,002,362.50 | \$3,337.50 | .02 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DAP0 | 10,000,000.0000 | 07/20/2020 | \$10,022,500.00 | \$10,000,990.68 | \$21,509.32 | .22 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DAS4 | 10,000,000.0000 | 07/02/2020 | \$10,015,300.00 | \$10,000,881.52 | \$14,418.48 | .14 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DBE4 | 10,000,000.0000 | 07/31/2020 | \$10,024,900.00 | \$10,000,000.00 | \$24,900.00 | .25 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DBG9 | 10,000,000.0000 | 07/29/2020 | \$10,023,800.00 | \$10,001,372.26 | \$22,427.74 | .22 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCA1 | 10,000,000.0000 | 07/17/2020 | \$10,013,300.00 | \$10,000,509.43 | \$12,790.57 | .13 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCE3 | 30,000,000.0000 | 06/23/2020 | \$30,016,800.00 | \$30,001,014.00 | \$15,786.00 | .05 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCH6 | 40,000,000.0000 | 06/29/2020 | \$40,023,600.00 | \$40,001,464.17 | \$22,135.83 | .06 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCJ2 | 20,000,000.0000 | 07/30/2020 | \$20,021,600.00 | \$20,000,000.00 | \$21,600.00 | .11 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCK9 | 10,000,000.0000 | 06/29/2020 | \$10,004,200.00 | \$10,000,000.00 | \$4,200.00 | .04 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DCV5 | 10,000,000.0000 | 07/13/2020 | \$10,001,700.00 | \$10,000,338.64 | \$1,361.36 | .01 | N/A | N/A | .0000 | .00 |

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|-----------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DDA0 | 10,000,000.0000 | 08/27/2020 | \$10,000,200.00 | \$10,000,538.27 | (\$338.27) | .00 | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DDC6 | 10,000,000.0000 | 07/27/2020 | \$9,999,700.00 | \$10,000,344.25 | (\$644.25) | (.01) | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 63376DDD4 | 10,000,000.0000 | 07/31/2020 | \$9,999,500.00 | \$10,000,360.90 | (\$860.90) | (.01) | N/A | N/A | .0000 | .00 |
| | | | NATIONAL BANK OF KUWAI CERT OF DEPOSIT | | | | | | | |
| 65558TPF6 | 25,000,000.0000 | 10/28/2020 | \$25,171,250.00 | \$25,004,976.11 | \$166,273.89 | .66 | N/A | N/A | .0000 | .00 |
| | | | NORDEA BK ABP NY CERT OF DEPOSIT | | | | | | | |
| 65558TSB2 | 15,000,000.0000 | 07/02/2020 | \$15,023,700.00 | \$15,000,000.00 | \$23,700.00 | .16 | N/A | N/A | .0000 | .00 |
| | | | NORDEA BK ABP NY CERT OF DEPOSIT | | | | | | | |
| 65558TSX4 | 25,000,000.0000 | 06/16/2020 | \$25,021,000.00 | \$25,002,109.49 | \$18,890.51 | .08 | N/A | N/A | .0000 | .00 |
| | | | NORDEA BK ABP NY CERT OF DEPOSIT | | | | | | | |
| 65558TTT2 | 25,000,000.0000 | 07/06/2020 | \$25,042,000.00 | \$25,002,206.04 | \$39,793.96 | .16 | N/A | N/A | .0000 | .00 |
| | | | NORDEA BK ABP NY CERT OF DEPOSIT | | | | | | | |
| 69033MLL9 | 25,000,000.0000 | 08/04/2020 | \$25,075,000.00 | \$25,003,794.75 | \$71,205.25 | .28 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MMH7 | 10,000,000.0000 | 06/08/2020 | \$10,004,700.00 | \$10,000,843.68 | \$3,856.32 | .04 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MMJ3 | 20,000,000.0000 | 07/02/2020 | \$20,029,000.00 | \$20,001,873.58 | \$27,126.42 | .14 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MML8 | 30,000,000.0000 | 07/17/2020 | \$30,063,000.00 | \$30,003,023.40 | \$59,976.60 | .20 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MNE3 | 10,000,000.0000 | 09/25/2020 | \$10,042,400.00 | \$10,002,000.00 | \$40,400.00 | .40 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MNH6 | 10,000,000.0000 | 09/29/2020 | \$10,041,600.00 | \$10,001,496.97 | \$40,103.03 | .40 | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MPD3 | 10,000,000.0000 | 11/18/2020 | \$9,999,300.00 | \$10,000,484.73 | (\$1,184.73) | (.01) | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |
| 69033MPJ0 | 10,000,000.0000 | 11/18/2020 | \$9,999,800.00 | \$10,001,009.83 | (\$1,209.83) | (.01) | N/A | N/A | .0000 | .00 |
| | | | OVERSEA-CHINESE BANKING CERT OF DEPOSIT | | | | | | | |

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VENTU009

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-------------------------|----------------------|-----------------------------------------------|-------------------------|-------------------------|------------|-------------------------|-----------------------|----------------------------|-----------------------|
| 78012UTQ8 | 10,000,000.0000 | 07/23/2020 | \$10,014,900.00 | \$10,000,000.00 | \$14,900.00 | .15 | N/A | N/A | .0000 | .00 |
| | | | ROYAL BK OF CANADA CERT OF DEPOSIT | | | | | | | |
| 78012UTU9 | 20,000,000.0000 | 06/24/2020 | \$20,029,000.00 | \$20,000,000.00 | \$29,000.00 | .14 | N/A | N/A | .0000 | .00 |
| | | | ROYAL BK OF CANADA CERT OF DEPOSIT | | | | | | | |
| 85325V5H9 | 10,000,000.0000 | 10/28/2020 | \$10,015,000.00 | \$10,000,503.52 | \$14,496.48 | .14 | N/A | N/A | .0000 | .00 |
| | | | STANDARD CHRTRD BNK NY CERT OF DEPOSIT | | | | | | | |
| 89114M4J3 | 20,000,000.0000 | 07/01/2020 | \$20,033,200.00 | \$20,003,644.50 | \$29,555.50 | .15 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114N6M2 | 15,000,000.0000 | 08/14/2020 | \$15,053,550.00 | \$15,001,206.86 | \$52,343.14 | .35 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NAH8 | 10,000,000.0000 | 11/13/2020 | \$10,075,300.00 | \$10,001,995.99 | \$73,304.01 | .73 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NAV7 | 10,000,000.0000 | 08/28/2020 | \$10,041,900.00 | \$10,000,785.70 | \$41,114.30 | .41 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NBR5 | 10,000,000.0000 | 06/05/2020 | \$10,003,400.00 | \$10,001,013.00 | \$2,387.00 | .02 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NCF0 | 20,000,000.0000 | 06/05/2020 | \$20,006,800.00 | \$20,002,014.90 | \$4,785.10 | .02 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NET8 | 10,000,000.0000 | 06/26/2020 | \$10,013,200.00 | \$10,000,484.46 | \$12,715.54 | .13 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NFK6 | 10,000,000.0000 | 07/08/2020 | \$10,017,500.00 | \$10,000,969.53 | \$16,530.47 | .17 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NG66 | 20,000,000.0000 | 07/01/2020 | \$20,027,600.00 | \$20,001,720.80 | \$25,879.20 | .13 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| 89114NHY4 | 20,000,000.0000 | 03/19/2021 | \$20,355,400.00 | \$20,005,931.60 | \$349,468.40 | 1.75 | N/A | N/A | .0000 | .00 |
| | | | TORONTO-DOMINION CERT OF DEPOSIT | | | | | | | |
| SUBTOTAL | 795,000,000.0000 | | \$796,740,400.00 | \$795,072,992.56 | \$1,667,407.44 | .21 | | | .0000 | .00 |
| COMMERCIAL PAPER | | | | | | | | | | |
| COMMERCIAL PAPER DISCOUNT | | | | | | | | | | |
| 2254EAJF1 | 20,000,000.0000 | 09/15/2020 | \$19,985,200.00 | \$19,896,300.00 | \$88,900.00 | .45 | | | .0000 | .00 |
| | | | CREDIT SUISSE AG CPDN DTD 12/20/19 09/15/2020 | | | | | | | |

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|---------------------------------------------------|---------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 2254EAPN7 | 10,000,000.0000 | 02/22/2021 | \$9,969,700.00 | \$9,967,000.00 | \$2,700.00 | .03 | | | .0000 | .00 |
| | | CREDIT SUISSE AG CPDN DTD 05/28/20 02/22/2021 | | | | | | | | |
| 30229AGQ6 | 10,000,000.0000 | 07/24/2020 | \$9,997,800.00 | \$9,964,105.56 | \$33,694.44 | .34 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 02/25/20 07/24/2020 | | | | | | | | |
| 30229AGV5 | 10,000,000.0000 | 07/29/2020 | \$9,997,600.00 | \$9,980,500.00 | \$17,100.00 | .17 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/17/20 07/29/2020 | | | | | | | | |
| 30229AGX1 | 10,000,000.0000 | 07/31/2020 | \$9,997,500.00 | \$9,990,588.90 | \$6,911.10 | .07 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/18/20 07/31/2020 | | | | | | | | |
| 30229AH69 | 10,000,000.0000 | 08/06/2020 | \$9,996,300.00 | \$9,990,000.00 | \$6,300.00 | .06 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/16/20 08/06/2020 | | | | | | | | |
| 30229AHH5 | 10,000,000.0000 | 08/17/2020 | \$9,995,700.00 | \$9,920,083.33 | \$75,616.67 | .76 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 04/02/20 08/17/2020 | | | | | | | | |
| 30229AHK8 | 10,000,000.0000 | 08/19/2020 | \$9,995,600.00 | \$9,993,000.00 | \$2,600.00 | .03 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/13/20 08/19/2020 | | | | | | | | |
| 30229AHX0 | 20,000,000.0000 | 08/31/2020 | \$19,987,400.00 | \$19,816,833.33 | \$170,566.67 | .86 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/16/20 08/31/2020 | | | | | | | | |
| 30229AJR1 | 23,200,000.0000 | 09/25/2020 | \$23,181,208.00 | \$23,181,285.33 | (\$77.33) | .00 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/16/20 09/25/2020 | | | | | | | | |
| 30229AJW0 | 10,000,000.0000 | 09/30/2020 | \$9,990,300.00 | \$9,957,966.67 | \$32,333.33 | .32 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/26/20 09/30/2020 | | | | | | | | |
| 30229AKU2 | 10,000,000.0000 | 10/28/2020 | \$9,988,000.00 | \$9,952,000.00 | \$36,000.00 | .36 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 04/30/20 10/28/2020 | | | | | | | | |
| 30229AKW8 | 10,000,000.0000 | 10/30/2020 | \$9,986,200.00 | \$9,955,005.56 | \$31,194.44 | .31 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/30/20 10/30/2020 | | | | | | | | |
| 30229ALW7 | 10,000,000.0000 | 11/30/2020 | \$9,981,800.00 | \$9,932,783.33 | \$49,016.67 | .49 | | | .0000 | .00 |
| | | EXXON MOBIL CORP CPDN DTD 03/31/20 11/30/2020 | | | | | | | | |
| 5006E0FW1 | 30,000,000.0000 | 06/30/2020 | \$29,997,300.00 | \$29,691,950.10 | \$305,349.90 | 1.03 | | | .0000 | .00 |
| | | KOREA DEVELOPMENT BK CPDN DTD 12/11/19 06/30/2020 | | | | | | | | |
| 5006E0GG5 | 29,750,000.0000 | 07/16/2020 | \$29,745,537.50 | \$29,672,523.61 | \$73,013.89 | .25 | | | .0000 | .00 |
| | | KOREA DEVELOPMENT BK CPDN DTD 04/16/20 07/16/2020 | | | | | | | | |
| 5006E0GV2 | 10,000,000.0000 | 07/29/2020 | \$9,997,600.00 | \$9,950,666.70 | \$46,933.30 | .47 | | | .0000 | .00 |

WELLS FARGO
Market/Cost Value Comparison Report
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VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|-----------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | | | | | | | | |
| | | | KOREA DEVELOPMENT BK CPDN DTD 03/03/20 07/29/2020 | | | | | | | |
| 5006EOGX8 | 5,000,000.0000 | 07/31/2020 | \$4,998,750.00 | \$4,959,725.00 | \$39,025.00 | .79 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 01/31/20 07/31/2020 | | | | | | | |
| 5006EOH58 | 10,000,000.0000 | 08/05/2020 | \$9,996,400.00 | \$9,915,066.70 | \$81,333.30 | .82 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 02/05/20 08/05/2020 | | | | | | | |
| 5006EOHM1 | 13,250,000.0000 | 08/21/2020 | \$13,244,037.50 | \$13,221,092.92 | \$22,944.58 | .17 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 04/21/20 08/21/2020 | | | | | | | |
| 5006EOKL9 | 3,000,000.0000 | 10/20/2020 | \$2,996,580.00 | \$2,989,125.00 | \$7,455.00 | .25 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 04/23/20 10/20/2020 | | | | | | | |
| 5006EOP26 | 10,000,000.0000 | 02/02/2021 | \$9,972,000.00 | \$9,962,316.70 | \$9,683.30 | .10 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 05/12/20 02/02/2021 | | | | | | | |
| 5006EOP59 | 10,000,000.0000 | 02/26/2021 | \$9,969,300.00 | \$9,966,983.30 | \$2,316.70 | .02 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 05/19/20 02/26/2021 | | | | | | | |
| 5006EOQC3 | 10,000,000.0000 | 03/12/2021 | \$9,967,700.00 | \$9,962,375.00 | \$5,325.00 | .05 | | | .0000 | .00 |
| | | | KOREA DEVELOPMENT BK CPDN DTD 05/15/20 03/12/2021 | | | | | | | |
| 59087AGN3 | 10,000,000.0000 | 07/22/2020 | \$9,997,900.00 | \$9,937,502.80 | \$60,397.20 | .61 | | | .0000 | .00 |
| | | | MET-LIFE FNDG INC. CPDN DTD 02/19/20 07/22/2020 | | | | | | | |
| 62479LFF7 | 10,000,000.0000 | 06/15/2020 | \$9,999,800.00 | \$9,983,294.44 | \$16,505.56 | .17 | | | .0000 | .00 |
| | | | MUFG BANK LTD NY BRAN CPDN DTD 09/19/19 06/15/2020 | | | | | | | |
| 62479LFV2 | 20,000,000.0000 | 06/29/2020 | \$19,998,200.00 | \$19,860,744.44 | \$137,455.56 | .69 | | | .0000 | .00 |
| | | | MUFG BANK LTD NY BRAN CPDN DTD 10/03/19 06/29/2020 | | | | | | | |
| 62479LGV1 | 10,000,000.0000 | 07/29/2020 | \$9,997,600.00 | \$9,959,983.33 | \$37,616.67 | .38 | | | .0000 | .00 |
| | | | MUFG BANK LTD NY BRAN CPDN DTD 01/28/20 07/29/2020 | | | | | | | |
| 62479LGW9 | 15,000,000.0000 | 07/30/2020 | \$14,996,250.00 | \$14,905,033.35 | \$91,216.65 | .61 | | | .0000 | .00 |
| | | | MUFG BANK LTD NY BRAN CPDN DTD 11/08/19 07/30/2020 | | | | | | | |
| 62479LGX7 | 15,000,000.0000 | 07/31/2020 | \$14,996,250.00 | \$14,946,100.00 | \$50,150.00 | .34 | | | .0000 | .00 |
| | | | MUFG BANK LTD NY BRAN CPDN DTD 11/05/19 07/31/2020 | | | | | | | |
| 89233GF50 | 10,000,000.0000 | 06/05/2020 | \$9,999,900.00 | \$9,905,444.44 | \$94,455.56 | .95 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 09/27/19 06/05/2020 | | | | | | | |
| 89233GF84 | 10,000,000.0000 | 06/08/2020 | \$9,999,900.00 | \$9,986,327.78 | \$13,572.22 | .14 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 09/12/19 06/08/2020 | | | | | | | |

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|-----------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 89233GFC5 | 10,000,000.0000 | 06/12/2020 | \$9,999,800.00 | \$9,967,488.89 | \$32,311.11 | .32 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 09/16/19 06/12/2020 | | | | | | | |
| 89233GFJ0 | 10,000,000.0000 | 06/18/2020 | \$9,999,700.00 | \$9,961,766.67 | \$37,933.33 | .38 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 09/26/19 06/18/2020 | | | | | | | |
| 89233GFK7 | 20,000,000.0000 | 06/19/2020 | \$19,999,400.00 | \$19,803,755.56 | \$195,644.44 | .99 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 09/23/19 06/19/2020 | | | | | | | |
| 89233GFR2 | 10,000,000.0000 | 06/25/2020 | \$9,999,300.00 | \$9,899,311.11 | \$99,988.89 | 1.01 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 10/02/19 06/25/2020 | | | | | | | |
| 89233GFS0 | 10,000,000.0000 | 06/26/2020 | \$9,999,200.00 | \$9,909,066.67 | \$90,133.33 | .91 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 10/03/19 06/26/2020 | | | | | | | |
| 89233GG83 | 20,000,000.0000 | 07/08/2020 | \$19,997,600.00 | \$19,854,372.22 | \$143,227.78 | .72 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 10/17/19 07/08/2020 | | | | | | | |
| 89233GGU4 | 25,000,000.0000 | 07/28/2020 | \$24,994,000.00 | \$24,857,872.23 | \$136,127.77 | .55 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 11/01/19 07/28/2020 | | | | | | | |
| 89233GGW0 | 20,000,000.0000 | 07/30/2020 | \$19,995,000.00 | \$19,866,416.66 | \$128,583.34 | .65 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 12/09/19 07/30/2020 | | | | | | | |
| 89233GGX8 | 10,000,000.0000 | 07/31/2020 | \$9,997,500.00 | \$9,860,269.44 | \$137,230.56 | 1.39 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 11/04/19 07/31/2020 | | | | | | | |
| 89233GK96 | 20,000,000.0000 | 10/09/2020 | \$19,979,000.00 | \$19,832,877.78 | \$146,122.22 | .74 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 01/14/20 10/09/2020 | | | | | | | |
| 89233GKP0 | 10,000,000.0000 | 10/23/2020 | \$9,988,400.00 | \$9,909,175.00 | \$79,225.00 | .80 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 01/27/20 10/23/2020 | | | | | | | |
| 89233GLP9 | 10,000,000.0000 | 11/23/2020 | \$9,984,000.00 | \$9,933,522.22 | \$50,477.78 | .51 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 04/13/20 11/23/2020 | | | | | | | |
| 89233GLW4 | 10,000,000.0000 | 11/30/2020 | \$9,981,800.00 | \$9,886,022.22 | \$95,777.78 | .97 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 03/06/20 11/30/2020 | | | | | | | |
| 89233GNF9 | 10,000,000.0000 | 01/15/2021 | \$9,974,700.00 | \$9,850,000.00 | \$124,700.00 | 1.27 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 04/20/20 01/15/2021 | | | | | | | |
| 89233GNN2 | 10,000,000.0000 | 01/22/2021 | \$9,973,900.00 | \$9,850,555.56 | \$123,344.44 | 1.25 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 04/27/20 01/22/2021 | | | | | | | |
| 89233GPC4 | 10,000,000.0000 | 02/12/2021 | \$9,970,800.00 | \$9,903,583.33 | \$67,216.67 | .68 | | | .0000 | .00 |

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-------------------------|----------------------|------------------------------------------------------|-------------------------|-------------------------|------------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 05/18/20 02/12/2021 | | | | | | | |
| 89233GPG5 | 10,000,000.0000 | 02/16/2021 | \$9,970,400.00 | \$9,965,272.22 | \$5,127.78 | .05 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CPDN DTD 05/26/20 02/16/2021 | | | | | | | |
| 89233GPK6 | 10,000,000.0000 | 02/19/2021 | \$9,970,000.00 | \$9,964,133.33 | \$5,866.67 | .06 | | | .0000 | .00 |
| | | | TOYOTA MOTOR CREDIT CO CPDN DTD 05/26/20 02/19/2021 | | | | | | | |
| 8923A0F16 | 20,000,000.0000 | 06/01/2020 | \$20,000,000.00 | \$19,906,200.00 | \$93,800.00 | .47 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 11/12/19 06/01/2020 | | | | | | | |
| 8923A0FK4 | 10,000,000.0000 | 06/19/2020 | \$9,999,700.00 | \$9,941,988.89 | \$57,711.11 | .58 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 03/19/20 06/19/2020 | | | | | | | |
| 8923A0GF4 | 10,000,000.0000 | 07/15/2020 | \$9,998,500.00 | \$9,910,002.78 | \$88,497.22 | .89 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 01/16/20 07/15/2020 | | | | | | | |
| 8923A0GU1 | 10,000,000.0000 | 07/28/2020 | \$9,997,600.00 | \$9,952,722.22 | \$44,877.78 | .45 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 03/02/20 07/28/2020 | | | | | | | |
| 8923A0H48 | 20,000,000.0000 | 08/04/2020 | \$19,992,800.00 | \$19,712,000.00 | \$280,800.00 | 1.42 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 11/08/19 08/04/2020 | | | | | | | |
| 8923A0JA2 | 20,000,000.0000 | 09/10/2020 | \$19,986,000.00 | \$19,865,000.00 | \$121,000.00 | .61 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 04/13/20 09/10/2020 | | | | | | | |
| 8923A0K51 | 30,000,000.0000 | 10/05/2020 | \$29,969,700.00 | \$29,737,055.55 | \$232,644.45 | .78 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 04/06/20 10/05/2020 | | | | | | | |
| 8923A0KD4 | 20,000,000.0000 | 10/13/2020 | \$19,978,400.00 | \$19,818,266.67 | \$160,133.33 | .81 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 04/08/20 10/13/2020 | | | | | | | |
| 8923A0N82 | 10,000,000.0000 | 01/08/2021 | \$9,975,400.00 | \$9,848,500.00 | \$126,900.00 | 1.29 | | | .0000 | .00 |
| | | | TOYOTA CDT DE PR CORP CPDN DTD 04/13/20 01/08/2021 | | | | | | | |
| 91411SFB1 | 3,840,000.0000 | 06/11/2020 | \$3,839,961.60 | \$3,817,079.47 | \$22,882.13 | .60 | | | .0000 | .00 |
| | | | RGTS OF UNIV OF CA CPDN DTD 01/23/20 06/11/2020 | | | | | | | |
| SUBTOTAL | 793,040,000.0000 | | \$792,433,874.60 | \$787,857,984.31 | \$4,575,890.29 | .58 | | | .0000 | .00 |
| CORPORATE BONDS | | | | | | | | | | |
| CORPORATE BONDS | | | | | | | | | | |
| 02665WCH2 | 4,300,000.0000 | 06/16/2020 | \$4,303,827.00 | \$4,285,853.00 | \$17,974.00 | .42 | A- | A3 | .0000 | .00 |
| | | | AMERICAN HONDA FINANCE DTD 07/16/18 3.000 06/16/2020 | | | | | | | |
| 02665WCS8 | 1,975,000.0000 | 01/08/2021 | \$2,002,847.50 | \$2,001,692.13 | \$1,155.37 | .06 | A- | A3 | .0000 | .00 |

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| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|----------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | AMERICAN HONDA FINANCE DTD 01/15/19 | 3.150 | 01/08/2021 | | | | | |
| 037833AR1 | 3,125,000.0000 | 05/06/2021 | \$3,199,437.50 | \$3,197,875.00 | \$1,562.50 | .05 | AA+ | AA1 | .0000 | .00 |
| | | | APPLE INC DTD 05/06/14 | 2.850 | 05/06/2021 | | | | | |
| 037833BS8 | 15,330,000.0000 | 02/23/2021 | \$15,521,318.40 | \$15,438,763.20 | \$82,555.20 | .53 | AA+ | AA1 | .0000 | .00 |
| | | | APPLE INC DTD 02/23/16 | 2.250 | 02/23/2021 | | | | | |
| 037833CC2 | 28,400,000.0000 | 08/04/2021 | \$28,762,384.00 | \$28,444,874.00 | \$317,510.00 | 1.12 | AA+ | AA1 | .0000 | .00 |
| | | | APPLE INC DTD 08/04/16 | 1.550 | 08/04/2021 | | | | | |
| 037833DJ6 | 11,549,000.0000 | 11/13/2020 | \$11,615,406.75 | \$11,579,885.63 | \$35,521.12 | .31 | AA+ | AA1 | .0000 | .00 |
| | | | APPLE INC DTD 11/13/17 | 2.000 | 11/13/2020 | | | | | |
| 05253JAK7 | 2,343,000.0000 | 11/16/2020 | \$2,365,961.40 | \$2,358,440.37 | \$7,521.03 | .32 | AA- | AA3 | .0000 | .00 |
| | | | AUST & NZ BANKING GRP NY MED TERM NOTE | | | | | | | |
| 05253JAM3 | 5,909,000.0000 | 06/01/2021 | \$6,015,657.45 | \$5,983,867.03 | \$31,790.42 | .53 | AA- | AA3 | .0000 | .00 |
| | | | AUST & NZ BANKING GRP NY DTD 06/01/16 | 2.300 | 06/01/2021 | | | | | |
| 05253JAR2 | 1,390,000.0000 | 08/19/2020 | \$1,395,282.00 | \$1,393,822.50 | \$1,459.50 | .10 | AA- | AA3 | .0000 | .00 |
| | | | AUST & NZ BANKING GROUP DTD 05/19/17 | 2.125 | 08/19/2020 | | | | | |
| 05253JAT8 | 6,380,000.0000 | 11/09/2020 | \$6,431,741.80 | \$6,353,331.60 | \$78,410.20 | 1.23 | AA- | AA3 | .0000 | .00 |
| | | | AUST & NZ BANKING GRP NY MED TERM NOTE | | | | | | | |
| 06406FAA1 | 20,000,000.0000 | 04/15/2021 | \$20,310,800.00 | \$19,970,100.00 | \$340,700.00 | 1.71 | A | A1 | .0000 | .00 |
| | | | BANK OF NY MELLON CORP DTD 02/19/16 | 2.500 | 04/15/2021 | | | | | |
| 06406FAB9 | 2,000,000.0000 | 05/03/2021 | \$2,027,820.00 | \$1,980,780.00 | \$47,040.00 | 2.37 | A | A1 | .0000 | .00 |
| | | | BANK OF NY MELLON CORP MED TERM NOTE | | | | | | | |
| 06406HDF3 | 8,788,000.0000 | 11/27/2020 | \$8,862,170.72 | \$8,844,155.32 | \$18,015.40 | .20 | A | A1 | .0000 | .00 |
| | | | BANK OF NY MELLON CORP MED TERM NOTE | | | | | | | |
| 166764AG5 | 1,000,000.0000 | 06/24/2020 | \$1,001,280.00 | \$995,450.00 | \$5,830.00 | .59 | AA | AA2 | .0000 | .00 |
| | | | CHEVRON CORP DTD 06/24/13 | 2.427 | 06/24/2020 | | | | | |
| 166764AY6 | 12,766,000.0000 | 11/17/2020 | \$12,857,404.56 | \$12,848,679.98 | \$8,724.58 | .07 | AA | AA2 | .0000 | .00 |
| | | | CHEVRON CORP DTD 11/17/15 | 2.419 | 11/17/2020 | | | | | |
| 166764BG4 | 25,427,000.0000 | 05/16/2021 | \$25,809,167.81 | \$25,651,879.58 | \$157,288.23 | .61 | AA | AA2 | .0000 | .00 |
| | | | CHEVRON CORP DTD 05/16/16 | 2.100 | 05/16/2021 | | | | | |
| 17275RAX0 | 14,523,000.0000 | 06/15/2020 | \$14,535,199.32 | \$14,569,718.83 | (\$34,519.51) | (.24) | AA- | A1 | .0000 | .00 |
| | | | CISCO SYSTEMS INC DTD 06/17/15 | 2.450 | 06/15/2020 | | | | | |

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|-------------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 17275RBD3 | 21,941,000.0000 | 02/28/2021 | \$22,230,840.61 | \$22,105,864.38 | \$124,976.23 | .57 | AA- | A1 | .0000 | .00 |
| | | | CISCO SYSTEMS INC DTD 02/29/16 2.200 02/28/2021 | | | | | | | |
| 191216BT6 | 9,825,000.0000 | 10/27/2020 | \$9,888,076.50 | \$9,891,613.50 | (\$3,537.00) | (.04) | A+ | A1 | .0000 | .00 |
| | | | COCA-COLA CO/THE DTD 10/27/15 1.875 10/27/2020 | | | | | | | |
| 21688AAF9 | 23,253,000.0000 | 01/19/2021 | \$23,547,848.04 | \$23,424,313.17 | \$123,534.87 | .53 | A+ | AA3 | .0000 | .00 |
| | | | RABOBANK NEDERLAND NY MED TERM NOTE | | | | | | | |
| 21688AAN2 | 3,870,000.0000 | 04/26/2021 | \$3,963,847.50 | \$3,956,251.40 | \$7,596.10 | .19 | A+ | AA3 | .0000 | .00 |
| | | | COOPERAT RABOBANK UA/NY DTD 04/26/18 3.125 04/26/2021 | | | | | | | |
| 22546QAF4 | 3,634,000.0000 | 08/05/2020 | \$3,658,275.12 | \$3,666,876.92 | (\$8,601.80) | (.23) | A+ | A1 | .0000 | .00 |
| | | | CREDIT SUISSE NEW YORK DTD 08/05/10 4.375 08/05/2020 | | | | | | | |
| 22546QAR8 | 5,351,000.0000 | 10/29/2021 | \$5,516,881.00 | \$5,472,735.25 | \$44,145.75 | .81 | A+ | A1 | .0000 | .00 |
| | | | CREDIT SUISSE NEW YORK DTD 10/29/14 3.000 10/29/2021 | | | | | | | |
| 22550L2A8 | 33,881,000.0000 | 11/12/2021 | \$34,550,149.75 | \$34,184,306.71 | \$365,843.04 | 1.07 | A+ | A1 | .0000 | .00 |
| | | | CREDIT SUISSE NEW YORK DTD 11/12/19 2.100 11/12/2021 | | | | | | | |
| 22550L2B6 | 5,000,000.0000 | 04/08/2022 | \$5,181,300.00 | \$5,104,000.00 | \$77,300.00 | 1.51 | A+ | A1 | .0000 | .00 |
| | | | CREDIT SUISSE NEW YORK DTD 04/09/20 2.800 04/08/2022 | | | | | | | |
| 25468PDE3 | 1,850,000.0000 | 09/17/2020 | \$1,858,676.50 | \$1,853,418.80 | \$5,257.70 | .28 | A- | A2 | .0000 | .00 |
| | | | WALT DISNEY COMPANY/THE MED TERM NOTE | | | | | | | |
| 30231GAV4 | 7,155,000.0000 | 03/01/2021 | \$7,242,004.80 | \$7,195,031.97 | \$46,972.83 | .65 | AA | AA1 | .0000 | .00 |
| | | | EXXON MOBIL CORPORATION DTD 03/03/16 2.222 03/01/2021 | | | | | | | |
| 45818WCK0 | 17,250,000.0000 | 04/11/2022 | \$17,833,740.00 | \$17,543,040.00 | \$290,700.00 | 1.66 | AAA | AAA | .0000 | .00 |
| | | | INTER-AMERICAN DEVEL BK DTD 04/11/19 2.360 04/11/2022 | | | | | | | |
| 4581X0CD8 | 40,915,000.0000 | 11/09/2020 | \$41,237,001.05 | \$41,083,848.52 | \$153,152.53 | .37 | AAA | AAA | .0000 | .00 |
| | | | INTER-AMERICAN DEVEL BK DTD 11/08/13 2.125 11/09/2020 | | | | | | | |
| 4581X0DB1 | 17,888,000.0000 | 04/19/2021 | \$18,251,841.92 | \$18,128,348.00 | \$123,493.92 | .68 | AAA | AAA | .0000 | .00 |
| | | | INTER-AMERICAN DEVEL BK DTD 04/19/18 2.625 04/19/2021 | | | | | | | |
| 459058DH3 | 26,052,000.0000 | 11/01/2020 | \$26,215,085.52 | \$26,159,958.25 | \$55,127.27 | .21 | AAA | AAA | .0000 | .00 |
| | | | INTL BK RECON & DEVELOP DTD 11/01/13 2.125 11/01/2020 | | | | | | | |
| 459058DY6 | 10,000,000.0000 | 02/10/2022 | \$10,222,100.00 | \$9,974,800.00 | \$247,300.00 | 2.48 | AAA | AAA | .0000 | .00 |
| | | | INTL BK RECON & DEVELOP DTD 02/12/15 1.625 02/10/2022 | | | | | | | |
| 459058EW9 | 5,776,000.0000 | 03/09/2021 | \$5,838,727.36 | \$5,771,454.20 | \$67,273.16 | 1.17 | AAA | AAA | .0000 | .00 |

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|---------------------------|-----------------|----------------------|--------------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 478160BN3 | 451,000.0000 | 12/05/2021 | \$464,809.62 | \$465,693.58 | (\$883.96) | (.19) | AAA | AAA | .0000 | .00 |
| | | | JOHNSON & JOHNSON DTD 11/21/14 2.450 12/05/2021 | | | | | | | |
| 478160BS2 | 750,000.0000 | 03/01/2021 | \$756,922.50 | \$757,297.50 | (\$375.00) | (.05) | AAA | AAA | .0000 | .00 |
| | | | JOHNSON & JOHNSON DTD 03/01/16 1.650 03/01/2021 | | | | | | | |
| 478160CH5 | 1,302,000.0000 | 11/10/2020 | \$1,311,843.12 | \$1,305,569.33 | \$6,273.79 | .48 | AAA | AAA | .0000 | .00 |
| | | | JOHNSON & JOHNSON DTD 11/10/17 1.950 11/10/2020 | | | | | | | |
| 58933YAA3 | 2,577,000.0000 | 01/15/2021 | \$2,610,449.46 | \$2,614,871.66 | (\$4,422.20) | (.17) | AA- | A1 | .0000 | .00 |
| | | | MERCK & CO INC DTD 12/10/10 3.875 01/15/2021 | | | | | | | |
| 594918AH7 | 674,000.0000 | 10/01/2020 | \$680,153.62 | \$682,263.24 | (\$2,109.62) | (.31) | AAA | AAA | .0000 | .00 |
| | | | MICROSOFT CORP DTD 09/27/10 3.000 10/01/2020 | | | | | | | |
| 594918BA1 | 1,280,000.0000 | 02/12/2022 | \$1,323,942.40 | \$1,286,553.60 | \$37,388.80 | 2.91 | AAA | AAA | .0000 | .00 |
| | | | MICROSOFT CORP DTD 02/12/15 2.375 02/12/2022 | | | | | | | |
| 594918BG8 | 2,909,000.0000 | 11/03/2020 | \$2,926,395.82 | \$2,916,172.18 | \$10,223.64 | .35 | AAA | AAA | .0000 | .00 |
| | | | MICROSOFT CORP DTD 11/03/15 2.000 11/03/2020 | | | | | | | |
| 594918BP8 | 43,857,000.0000 | 08/08/2021 | \$44,467,489.44 | \$44,209,222.77 | \$258,266.67 | .58 | AAA | AAA | .0000 | .00 |
| | | | MICROSOFT CORP DTD 08/08/16 1.550 08/08/2021 | | | | | | | |
| 637432MU6 | 1,180,000.0000 | 06/15/2020 | \$1,180,590.00 | \$1,181,085.60 | (\$495.60) | (.04) | A | A1 | .0000 | .00 |
| | | | NATIONAL RURAL UTIL COOP DTD 06/06/13 2.350 06/15/2020 | | | | | | | |
| 637432NF8 | 2,725,000.0000 | 11/01/2020 | \$2,743,039.50 | \$2,737,235.25 | \$5,804.25 | .21 | A | A1 | .0000 | .00 |
| | | | NATIONAL RURAL UTIL COOP DTD 10/27/15 2.300 11/01/2020 | | | | | | | |
| 68389XBA2 | 2,456,000.0000 | 07/08/2021 | \$2,521,747.12 | \$2,485,675.12 | \$36,072.00 | 1.45 | A+ | A3 | .0000 | .00 |
| | | | ORACLE CORP DTD 07/08/14 2.800 07/08/2021 | | | | | | | |
| 69353RES3 | 500,000.0000 | 07/21/2020 | \$500,800.00 | \$501,680.00 | (\$880.00) | (.18) | A | A2 | .0000 | .00 |
| | | | PNC FINANCIAL SERVICES DTD 07/21/15 2.600 07/21/2020 | | | | | | | |
| 69353REU8 | 1,000,000.0000 | 11/05/2020 | \$1,006,130.00 | \$998,380.00 | \$7,750.00 | .78 | A | A2 | .0000 | .00 |
| | | | PNC BANK NA DTD 11/03/15 2.450 11/05/2020 | | | | | | | |
| 713448BR8 | 6,125,000.0000 | 11/01/2020 | \$6,197,336.25 | \$6,201,051.75 | (\$3,715.50) | (.06) | A+ | A1 | .0000 | .00 |
| | | | PEPSICO INC DTD 10/26/10 3.125 11/01/2020 | | | | | | | |
| 717081DX8 | 5,500,000.0000 | 06/03/2021 | \$5,589,320.00 | \$5,583,985.00 | \$5,335.00 | .10 | AA- | A1 | .0000 | .00 |
| | | | PFIZER INC DTD 06/03/16 1.950 06/03/2021 | | | | | | | |
| 742718FA2 | 1,084,000.0000 | 10/23/2020 | \$1,090,048.72 | \$1,085,550.12 | \$4,498.60 | .41 | AA- | AA3 | .0000 | .00 |

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|---------------------------|-----------------|----------------------|----------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | | | | | | | | |
| | | | FED FARM CREDIT BK DTD 10/25/19 1.550 10/25/2021 | | | | | | | |
| 3133EK6Z4 | 5,000,000.0000 | 11/13/2020 | \$5,033,400.00 | \$4,999,950.00 | \$33,450.00 | .67 | N/A | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 11/13/19 1.625 11/13/2020 | | | | | | | |
| 3133EKF27 | 10,000,000.0000 | 08/26/2022 | \$10,032,900.00 | \$9,994,000.00 | \$38,900.00 | .39 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 08/26/19 1.850 08/26/2022 | | | | | | | |
| 3133EKH66 | 31,060,000.0000 | 03/03/2022 | \$31,143,551.40 | \$31,057,837.00 | \$85,714.40 | .28 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 09/03/19 1.850 03/03/2022 | | | | | | | |
| 3133EKK39 | 10,000,000.0000 | 09/09/2022 | \$10,027,500.00 | \$9,984,500.00 | \$43,000.00 | .43 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 09/09/19 1.840 09/09/2022 | | | | | | | |
| 3133EKY75 | 10,000,000.0000 | 10/15/2021 | \$10,160,800.00 | \$9,944,000.00 | \$216,800.00 | 2.18 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 10/15/19 1.400 10/15/2021 | | | | | | | |
| 3133ELA08 | 20,000,000.0000 | 11/25/2022 | \$20,063,800.00 | \$19,988,400.00 | \$75,400.00 | .38 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 11/25/19 1.710 11/25/2022 | | | | | | | |
| 3133ELB00 | 10,000,000.0000 | 12/02/2021 | \$10,058,200.00 | \$9,990,000.00 | \$68,200.00 | .68 | AA+ | N/A | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 12/02/19 1.620 12/02/2021 | | | | | | | |
| 3133ELCH5 | 7,595,000.0000 | 06/02/2022 | \$7,595,379.75 | \$7,592,721.50 | \$2,658.25 | .04 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 12/02/19 1.700 06/02/2022 | | | | | | | |
| 3133ELCY8 | 21,820,000.0000 | 12/10/2021 | \$21,967,939.60 | \$21,795,998.00 | \$171,941.60 | .79 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 12/10/19 1.590 12/10/2021 | | | | | | | |
| 3133ELD04 | 20,800,000.0000 | 12/16/2022 | \$20,893,392.00 | \$20,779,200.00 | \$114,192.00 | .55 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 12/16/19 1.710 12/16/2022 | | | | | | | |
| 3133ELUX0 | 5,000,000.0000 | 03/30/2022 | \$5,003,750.00 | \$5,000,000.00 | \$3,750.00 | .08 | AA+ | AAA | .0000 | .00 |
| | | | FED FARM CREDIT BK DTD 03/30/20 1.000 03/30/2022 | | | | | | | |
| 3134GUJJ0 | 10,000,000.0000 | 01/21/2022 | \$10,049,200.00 | \$10,000,000.00 | \$49,200.00 | .49 | N/A | AAA | .0000 | .00 |
| | | | FED HOME LN MTG CORP MED TERM NOTE | | | | | | | |
| 3134GVJB5 | 10,000,000.0000 | 04/06/2022 | \$10,010,200.00 | \$10,000,000.00 | \$10,200.00 | .10 | N/A | AAA | .0000 | .00 |
| | | | FED HOME LN MTG CORP DTD 04/06/20 1.200 04/06/2022 | | | | | | | |
| 3134GVJR0 | 10,000,000.0000 | 04/13/2022 | \$10,008,800.00 | \$10,000,000.00 | \$8,800.00 | .09 | N/A | AAA | .0000 | .00 |
| | | | FED HOME LN MTG CORP DTD 04/13/20 1.050 04/13/2022 | | | | | | | |
| 3135G0T60 | 2,700,000.0000 | 07/30/2020 | \$2,705,940.00 | \$2,707,290.00 | (\$1,350.00) | (.05) | AA+ | AAA | .0000 | .00 |
| | | | FED NATL MTG ASSN DTD 08/01/17 1.500 07/30/2020 | | | | | | | |

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|------------------------------|-------------------------|----------------------|---------------------------------------------------------------|-------------------------|-------------------------|------------|-------------------------|-----------------------|----------------------------|-----------------------|
| 3135G0W74 | 20,000,000.0000 | 10/28/2022 | \$20,121,600.00 | \$19,999,800.00 | \$121,800.00 | .61 | AA+ | AAA | .0000 | .00 |
| | | | FED NATL MTG ASSN DTD 10/28/19 1.800 10/28/2022 | | | | | | | |
| 3135G0X99 | 10,000,000.0000 | 02/14/2023 | \$10,025,100.00 | \$10,000,000.00 | \$25,100.00 | .25 | AA+ | AAA | .0000 | .00 |
| | | | FED NATL MTG ASSN DTD 02/14/20 1.700 02/14/2023 | | | | | | | |
| SUBTOTAL | 369,475,000.0000 | | \$371,341,417.75 | \$369,251,106.50 | \$2,090,311.25 | .57 | | | .0000 | .00 |
| MUNICIPAL BONDS | | | | | | | | | | |
| MUNICIPAL BONDS - TAX-EXEMPT | | | | | | | | | | |
| 13068L4Y8 | 200,000.0000 | 03/01/2021 | \$207,040.00 | \$206,870.00 | \$170.00 | .08 | A+ | AA3 | .0000 | .00 |
| | | | CALIFORNIA ST PUBLIC WKS BRD L VARIOUS CAPITAL PROJ-SER B | | | | | | | |
| 5444355S5 | 285,000.0000 | 05/15/2022 | \$309,190.80 | \$303,513.60 | \$5,677.20 | 1.87 | AA- | AA3 | .0000 | .00 |
| | | | LOS ANGELES CA DEPT OF ARPTS REF-SUB REV-SER C | | | | | | | |
| 544445FJ3 | 230,000.0000 | 05/15/2022 | \$247,560.50 | \$248,055.00 | (\$494.50) | (.20) | AA- | AA3 | .0000 | .00 |
| | | | LOS ANGELES CA DEPT OF ARPTS A AMT-SUBORDINATE-SER C | | | | | | | |
| 794896EJ5 | 330,000.0000 | 08/01/2020 | \$331,560.90 | \$331,617.00 | (\$56.10) | (.02) | A+ | AA2 | .0000 | .00 |
| | | | SALINAS CA UNION HIGH SCH DIST REF-SER B | | | | | | | |
| 794896EK2 | 500,000.0000 | 08/01/2021 | \$516,445.00 | \$509,770.00 | \$6,675.00 | 1.31 | A+ | AA2 | .0000 | .00 |
| | | | SALINAS CA UNION HIGH SCH DIST REF-SER B | | | | | | | |
| 882724PY7 | 20,000,000.0000 | 08/27/2020 | \$20,182,800.00 | \$20,109,400.00 | \$73,400.00 | .37 | N/A | N/A | .0000 | .00 |
| | | | TEXAS ST TRANS | | | | | | | |
| MUNICIPAL TAXABLE | | | | | | | | | | |
| 03667PFT4 | 150,000.0000 | 08/01/2020 | \$150,087.00 | \$150,000.00 | \$87.00 | .06 | AA | AA2 | .0000 | .00 |
| | | | ANTELOPE VLY CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 088006JH5 | 1,085,000.0000 | 06/01/2020 | \$1,085,000.00 | \$1,085,000.00 | \$0.00 | .00 | AA+ | N/A | .0000 | .00 |
| | | | BEVERLY HILLS CA PUBLIC FING A TXBL-SER B | | | | | | | |
| 088006JJ1 | 1,335,000.0000 | 06/01/2021 | \$1,345,079.25 | \$1,335,000.00 | \$10,079.25 | .75 | AA+ | N/A | .0000 | .00 |
| | | | BEVERLY HILLS CA PUBLIC FING A TXBL-SER B | | | | | | | |
| 13032UUY2 | 3,345,000.0000 | 06/01/2021 | \$3,367,478.40 | \$3,347,625.45 | \$19,852.95 | .59 | AA- | AA3 | .0000 | .00 |
| | | | CALIFORNIA ST HLTH FACS FING A TXBL-SENIOR-NO PLACE LIKE HOME | | | | | | | |
| 13032UUZ9 | 4,700,000.0000 | 06/01/2022 | \$4,751,700.00 | \$4,699,520.00 | \$52,180.00 | 1.11 | AA- | AA3 | .0000 | .00 |
| | | | CALIFORNIA ST HLTH FACS FING A TXBL-SENIOR-NO PLACE LIKE HOME | | | | | | | |
| 13034PYJ0 | 500,000.0000 | 02/01/2021 | \$503,410.00 | \$502,190.00 | \$1,220.00 | .24 | AA | A1 | .0000 | .00 |

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|---------------------------|----------------|----------------------|----------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | CALIFORNIA ST HSG FIN AGY REVE TXBL-SER A | | | | | | | |
| 13063DAC2 | 4,400,000.0000 | 04/01/2021 | \$4,463,140.00 | \$4,465,388.00 | (\$2,248.00) | (.05) | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST TXBL-HIGH-SPEED PASSENGER TRAI | | | | | | | |
| 13063DAD0 | 1,200,000.0000 | 04/01/2022 | \$1,230,228.00 | \$1,228,776.00 | \$1,452.00 | .12 | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST TXBL-HIGH-SPEED PASSENGER TRAI | | | | | | | |
| 13063DGA0 | 2,840,000.0000 | 04/01/2021 | \$2,884,843.60 | \$2,891,486.60 | (\$6,643.00) | (.23) | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST TXBL | | | | | | | |
| 13063DRF7 | 300,000.0000 | 10/01/2020 | \$303,036.00 | \$306,129.00 | (\$3,093.00) | (1.01) | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST TXBL-REF | | | | | | | |
| 13063DRG5 | 260,000.0000 | 10/01/2021 | \$266,640.40 | \$265,220.80 | \$1,419.60 | .54 | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST TXBL-REF | | | | | | | |
| 13077DHH8 | 2,200,000.0000 | 11/01/2020 | \$2,207,282.00 | \$2,200,000.00 | \$7,282.00 | .33 | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST UNIV REVENUE TXBL-REF-SER B | | | | | | | |
| 13077DJY9 | 475,000.0000 | 11/01/2020 | \$475,736.25 | \$475,000.00 | \$736.25 | .15 | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST UNIV REVENUE TXBL-REF-SER B | | | | | | | |
| 13077DJZ6 | 400,000.0000 | 11/01/2021 | \$402,360.00 | \$400,000.00 | \$2,360.00 | .59 | AA- | AA2 | .0000 | .00 |
| | | | CALIFORNIA ST UNIV REVENUE TXBL-REF-SER B | | | | | | | |
| 15741TF6 | 1,000,000.0000 | 08/01/2020 | \$1,001,490.00 | \$1,000,000.00 | \$1,490.00 | .15 | AA- | AA1 | .0000 | .00 |
| | | | CHAFFEY CA JT UNION HIGH SCH D TXBL-REF | | | | | | | |
| 15741TG4 | 500,000.0000 | 08/01/2021 | \$504,215.00 | \$500,000.00 | \$4,215.00 | .84 | AA- | AA1 | .0000 | .00 |
| | | | CHAFFEY CA JT UNION HIGH SCH D TXBL-REF | | | | | | | |
| 169583HE4 | 1,000,000.0000 | 08/01/2022 | \$1,023,070.00 | \$1,022,800.00 | \$270.00 | .03 | AA- | AA2 | .0000 | .00 |
| | | | CHINO VLY CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 190335KC2 | 600,000.0000 | 08/01/2020 | \$600,816.00 | \$600,000.00 | \$816.00 | .14 | AA+ | AA1 | .0000 | .00 |
| | | | COAST CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 190335KD0 | 525,000.0000 | 08/01/2021 | \$530,460.00 | \$525,000.00 | \$5,460.00 | 1.04 | AA+ | AA1 | .0000 | .00 |
| | | | COAST CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 190335KE8 | 525,000.0000 | 08/01/2022 | \$534,339.75 | \$525,000.00 | \$9,339.75 | 1.78 | AA+ | AA1 | .0000 | .00 |
| | | | COAST CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 223093VH5 | 200,000.0000 | 08/01/2020 | \$200,226.00 | \$200,000.00 | \$226.00 | .11 | AA | N/A | .0000 | .00 |
| | | | COVINA-VLY CA UNIF SCH DIST TXBL-REF | | | | | | | |

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|-----------------|----------------------|----------------------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 223093VJ1 | 250,000.0000 | 08/01/2021 | \$251,585.00 | \$250,000.00 | \$1,585.00 | .63 | AA | N/A | .0000 | .00 |
| | | | COVINA-VLY CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 376087FV9 | 2,500,000.0000 | 08/01/2020 | \$2,502,200.00 | \$2,500,000.00 | \$2,200.00 | .09 | AA- | AA3 | .0000 | .00 |
| | | | GILROY CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 376087FW7 | 365,000.0000 | 08/01/2021 | \$366,719.15 | \$365,000.00 | \$1,719.15 | .47 | AA- | AA3 | .0000 | .00 |
| | | | GILROY CA UNIF SCH DIST TXBL-REF DTD 10/30/19 1.721 08/01/2021 | | | | | | | |
| 525641BF2 | 415,000.0000 | 08/01/2020 | \$415,415.00 | \$415,000.00 | \$415.00 | .10 | AA | N/A | .0000 | .00 |
| | | | LEMON GROVE CA CMNTY DEV AGY S TXBL-REF-LEMON GROVE REDEVELOP | | | | | | | |
| 525641BG0 | 270,000.0000 | 08/01/2021 | \$271,728.00 | \$270,000.00 | \$1,728.00 | .64 | AA | N/A | .0000 | .00 |
| | | | LEMON GROVE CA CMNTY DEV AGY S TXBL-REF-LEMON GROVE REDEVELOP | | | | | | | |
| 544290JA8 | 1,770,000.0000 | 08/01/2021 | \$1,782,319.20 | \$1,770,000.00 | \$12,319.20 | .70 | AA+ | AA1 | .0000 | .00 |
| | | | LOS ALTOS CA SCH DIST TXBL-ELECTION OF 2014-SER A-2 | | | | | | | |
| 56453RAU8 | 500,000.0000 | 10/01/2020 | \$499,655.00 | \$500,000.00 | (\$345.00) | (.07) | AA | N/A | .0000 | .00 |
| | | | MANTECA CA REDEV AGY SUCCESSOR TXBL-REF-SER B | | | | | | | |
| 574193RY6 | 2,025,000.0000 | 08/01/2022 | \$2,041,584.75 | \$2,025,000.00 | \$16,584.75 | .82 | AAA | AAA | .0000 | .00 |
| | | | MARYLAND ST TXBL-SECOND SER B | | | | | | | |
| 574193SN9 | 18,720,000.0000 | 03/15/2023 | \$18,626,587.20 | \$18,720,000.00 | (\$93,412.80) | (.50) | AAA | AAA | .0000 | .00 |
| | | | MARYLAND ST TXBL-SER B | | | | | | | |
| 600038LY7 | 310,000.0000 | 08/01/2022 | \$311,187.30 | \$310,000.00 | \$1,187.30 | .38 | AAA | N/A | .0000 | .00 |
| | | | MILL VLY CA SCH DIST TXBL-REF | | | | | | | |
| 623040KH4 | 250,000.0000 | 08/01/2020 | \$250,325.00 | \$250,000.00 | \$325.00 | .13 | AA | AA1 | .0000 | .00 |
| | | | MOUNT SAN ANTONIO CA CMNTY CLG REF-TXBL-SER A | | | | | | | |
| 62451FKE9 | 300,000.0000 | 09/01/2021 | \$310,002.00 | \$309,567.00 | \$435.00 | .14 | AA+ | AAA | .0000 | .00 |
| | | | MOUNTAIN VIEW-WHISMAN CA SCH D TXBL-REF-SER A-1 | | | | | | | |
| 661334DV1 | 1,000,000.0000 | 08/01/2021 | \$1,014,410.00 | \$1,017,640.00 | (\$3,230.00) | (.32) | AA+ | AA1 | .0000 | .00 |
| | | | N ORANGE CNTY CA CMNTY CLG DIS TXBL-REF | | | | | | | |
| 672240WD6 | 4,800,000.0000 | 01/15/2021 | \$4,854,000.00 | \$4,863,744.00 | (\$9,744.00) | (.20) | AA | AA1 | .0000 | .00 |
| | | | OAKLAND CA TXBL-SER B2 | | | | | | | |
| 672240WE4 | 2,010,000.0000 | 01/15/2022 | \$2,068,752.30 | \$2,064,611.70 | \$4,140.60 | .20 | AA | AA1 | .0000 | .00 |
| | | | OAKLAND CA TXBL-SER B2 | | | | | | | |
| 672240WP9 | 4,625,000.0000 | 01/15/2021 | \$4,677,031.25 | \$4,686,420.00 | (\$9,388.75) | (.20) | AA | AA1 | .0000 | .00 |

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|----------------|----------------------|----------------------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| | | | OAKLAND CA TXBL-REF | | | | | | | |
| 672240WQ7 | 4,605,000.0000 | 01/15/2022 | \$4,739,604.15 | \$4,730,117.85 | \$9,486.30 | .20 | AA | AA1 | .0000 | .00 |
| | | | OAKLAND CA TXBL-REF | | | | | | | |
| 692020Q86 | 250,000.0000 | 08/01/2020 | \$250,272.50 | \$250,000.00 | \$272.50 | .11 | AA | N/A | .0000 | .00 |
| | | | OXNARD CA SCH DIST TXBL-REF | | | | | | | |
| 692020Q94 | 250,000.0000 | 08/01/2021 | \$251,482.50 | \$250,000.00 | \$1,482.50 | .59 | AA | N/A | .0000 | .00 |
| | | | OXNARD CA SCH DIST TXBL-REF | | | | | | | |
| 724581UK7 | 635,000.0000 | 08/01/2021 | \$639,140.20 | \$635,000.00 | \$4,140.20 | .65 | AA | AA3 | .0000 | .00 |
| | | | PITTSBURG CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 724581UL5 | 640,000.0000 | 08/01/2022 | \$648,684.80 | \$640,000.00 | \$8,684.80 | 1.36 | AA | AA3 | .0000 | .00 |
| | | | PITTSBURG CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 738850ST4 | 515,000.0000 | 08/01/2020 | \$515,715.85 | \$515,000.00 | \$715.85 | .14 | AA- | N/A | .0000 | .00 |
| | | | POWAY CA UNIF SCH DIST TXBL-REF-IMPT DT 2002-1 | | | | | | | |
| 767027DH5 | 340,000.0000 | 09/01/2020 | \$340,744.60 | \$340,000.00 | \$744.60 | .22 | AA | N/A | .0000 | .00 |
| | | | RIO CA ELEM SCH DIST CMNTY FAC TXBL-REF | | | | | | | |
| 76912TMW0 | 175,000.0000 | 07/01/2021 | \$175,596.75 | \$175,000.00 | \$596.75 | .34 | AA | N/A | .0000 | .00 |
| | | | RIVERSIDE CNTY CA PUBLIC FINGA TXBL-DESERT CMNTY & INTERSTATE | | | | | | | |
| 76912TMX8 | 385,000.0000 | 07/01/2022 | \$388,068.45 | \$385,000.00 | \$3,068.45 | .80 | AA | N/A | .0000 | .00 |
| | | | RIVERSIDE CNTY CA PUBLIC FINGA TXBL-DESERT CMNTY & INTERSTATE | | | | | | | |
| 797330AD9 | 3,060,000.0000 | 06/01/2020 | \$3,060,000.00 | \$3,060,000.00 | \$0.00 | .00 | A | N/A | .0000 | .00 |
| | | | SAN DIEGO CA TOBACCO SETTLEMEN TXBL-REF-SER A | | | | | | | |
| 797508GZ5 | 250,000.0000 | 08/01/2020 | \$250,122.50 | \$250,000.00 | \$122.50 | .05 | AA | AA1 | .0000 | .00 |
| | | | SAN DIEGUITO CA UNION HIGH SCH TXBL-REF | | | | | | | |
| 797508HA9 | 250,000.0000 | 08/01/2021 | \$251,022.50 | \$250,000.00 | \$1,022.50 | .41 | AA | AA1 | .0000 | .00 |
| | | | SAN DIEGUITO CA UNION HIGH SCH TXBL-REF | | | | | | | |
| 7976464Z6 | 445,000.0000 | 06/15/2021 | \$449,788.20 | \$445,000.00 | \$4,788.20 | 1.08 | AAA | AAA | .0000 | .00 |
| | | | SAN FRANCISCO CITY & CNTY CA TXBL-SOCIAL BONDS-AFFORDABLE H | | | | | | | |
| 79766DNU9 | 1,000,000.0000 | 01/01/2021 | \$1,004,790.00 | \$1,000,000.00 | \$4,790.00 | .48 | A | A1 | .0000 | .00 |
| | | | SAN FRANCISCO CALIF CITY & CNTY TXBL-REF-SPL FACS LEASE-SFO FU | | | | | | | |
| 798755FV1 | 250,000.0000 | 08/01/2020 | \$250,297.50 | \$250,000.00 | \$297.50 | .12 | AA | AA3 | .0000 | .00 |
| | | | SAN MARCOS CA UNIF SCH DIST TXBL-REF | | | | | | | |

WELLS FARGO
Market/Cost Value Comparison Report
By Account By Industry Class
VENTU009

General Reporting
 From Month End With Pricing 05/31/2020
 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|---------------------------|----------------|----------------------|----------------------------------------------------|---------------------|-------------------------|----------|-------------------------|-----------------------|----------------------------|-----------------------|
| 798755FW9 | 250,000.0000 | 08/01/2021 | \$251,707.50 | \$250,000.00 | \$1,707.50 | .68 | AA | AA3 | .0000 | .00 |
| | | | SAN MARCOS CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 798755FX7 | 250,000.0000 | 08/01/2022 | \$253,245.00 | \$250,000.00 | \$3,245.00 | 1.30 | AA | AA3 | .0000 | .00 |
| | | | SAN MARCOS CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 799055QP6 | 255,000.0000 | 08/01/2020 | \$255,030.60 | \$255,000.00 | \$30.60 | .01 | AA+ | AAA | .0000 | .00 |
| | | | SAN MATEO CA FOSTER CITY SCH D TXBL-REF | | | | | | | |
| 799055QQ4 | 475,000.0000 | 08/01/2021 | \$475,603.25 | \$475,000.00 | \$603.25 | .13 | AA+ | AAA | .0000 | .00 |
| | | | SAN MATEO CA FOSTER CITY SCH D TXBL-REF | | | | | | | |
| 80136PCY7 | 955,000.0000 | 12/01/2021 | \$981,396.20 | \$955,000.00 | \$26,396.20 | 2.76 | AA | A1 | .0000 | .00 |
| | | | SANTA BARBARA CNTY CA SOLID WA TXBL-SER C | | | | | | | |
| 802498UD5 | 1,000,000.0000 | 08/01/2020 | \$1,001,000.00 | \$1,000,000.00 | \$1,000.00 | .10 | AA+ | AAA | .0000 | .00 |
| | | | SANTA MONICA-MALIBU CA UNIF SC TXBL-REF | | | | | | | |
| 802498UE3 | 470,000.0000 | 08/01/2021 | \$472,044.50 | \$470,000.00 | \$2,044.50 | .44 | AA+ | AAA | .0000 | .00 |
| | | | SANTA MONICA-MALIBU CA UNIF SC TXBL-REF | | | | | | | |
| 835569GP3 | 425,000.0000 | 08/01/2022 | \$432,645.75 | \$433,019.75 | (\$374.00) | (.09) | AA | AA2 | .0000 | .00 |
| | | | SONOMA CNTY CA JNR CLG DIST TXBL-REF | | | | | | | |
| 83789TBL2 | 750,000.0000 | 10/01/2020 | \$751,522.50 | \$750,000.00 | \$1,522.50 | .20 | AA- | N/A | .0000 | .00 |
| | | | SOUTH GATE CA UTILITY AUTH WTR TXBL-REF-SER A-T | | | | | | | |
| 8913814T9 | 425,000.0000 | 08/01/2020 | \$425,454.75 | \$425,000.00 | \$454.75 | .11 | AA- | AA2 | .0000 | .00 |
| | | | TORRANCE CA UNIF SCH DIST TXBL-REF | | | | | | | |
| 899154AS7 | 5,000,000.0000 | 06/01/2020 | \$5,000,000.00 | \$5,000,000.00 | \$0.00 | .00 | AA- | A1 | .0000 | .00 |
| | | | TULARE CNTY CA PENSN OBLG TXBL | | | | | | | |
| 91412HEV1 | 800,000.0000 | 05/15/2021 | \$813,080.00 | \$800,000.00 | \$13,080.00 | 1.64 | AA | AA2 | .0000 | .00 |
| | | | UNIV OF CALIFORNIA CA REVENUES TXBL-REF-GEN-SER BC | | | | | | | |
| 923040GQ6 | 1,000,000.0000 | 08/01/2020 | \$1,001,330.00 | \$1,000,000.00 | \$1,330.00 | .13 | AA+ | AA1 | .0000 | .00 |
| | | | VENTURA CNTY CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 923040GR4 | 1,000,000.0000 | 08/01/2021 | \$1,009,040.00 | \$1,000,000.00 | \$9,040.00 | .90 | AA+ | AA1 | .0000 | .00 |
| | | | VENTURA CNTY CA CMNTY CLG DIST TXBL-REF | | | | | | | |
| 9523472A9 | 500,000.0000 | 08/01/2020 | \$500,175.00 | \$500,000.00 | \$175.00 | .04 | AA- | A1 | .0000 | .00 |
| | | | W CONTRA COSTA CA UNIF SCH DIS TXBL-REF | | | | | | | |
| 9523472B7 | 500,000.0000 | 08/01/2021 | \$501,455.00 | \$500,000.00 | \$1,455.00 | .29 | AA- | A1 | .0000 | .00 |

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VENTU009

General Reporting
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 06/04/2020 10:49:30 AM PDT

ACCOUNT: All Accounts Selected

* = Trade or Other Activity Pending

| <u>Asset ID</u> | <u>Units</u> | <u>Maturity Date</u> | <u>Market Value</u> | <u>Fed Tax Cost</u> | <u>Gain/Loss Amount</u> | <u>%</u> | <u>S & P Rating</u> | <u>Moody's Rating</u> | <u>Units in Transition</u> | <u>Encumbrd Units</u> |
|-------------------------------------------|---------------------------|----------------------|---------------------------|---------------------------|-------------------------|------------|-------------------------|-----------------------|----------------------------|-----------------------|
| W CONTRA COSTA CA UNIF SCH DIS TXBL-REF | | | | | | | | | | |
| SUBTOTAL | 116,300,000.0000 | | \$117,208,796.55 | \$116,988,481.75 | \$220,314.80 | .19 | | | .0000 | .00 |
| OTHER ASSETS | | | | | | | | | | |
| OTHER ASSETS | | | | | | | | | | |
| MS6232818 | 55,000,000.0000 | | \$55,000,000.00 | \$55,000,000.00 | \$.00 | .00 | | | .0000 | .00 |
| CA LAIF STATE OF CALIFORNIA INVESTMENT FD | | | | | | | | | | |
| MS6615459 | 25,000,000.0000 | | \$25,189,550.00 | \$25,000,000.00 | \$189,550.00 | .76 | | | .0000 | .00 |
| CALTRUST SHORT TERM ACCT | | | | | | | | | | |
| SUBTOTAL | 80,000,000.0000 | | \$80,189,550.00 | \$80,000,000.00 | \$189,550.00 | .24 | | | .0000 | .00 |
| ACCOUNT 11435100 TOTAL | 3,047,541,000.0000 | | \$3,060,547,500.01 | \$3,046,522,498.68 | \$14,025,001.33 | .46 | | | .0000 | .00 |
| GRAND TOTAL | 3,047,541,000.0000 | | \$3,060,547,500.01 | \$3,046,522,498.68 | \$14,025,001.33 | .46 | | | .0000 | .00 |

END OF REPORT

MONTHLY TRANSACTIONS REPORT - MAY 2020

| Transaction Date | Purchase/ Sale | Par Amount | Security Type | Security Name | Maturity Date | Yield |
|------------------|-------------------|------------------|---------------|------------------------------|---------------|-------|
| 05/01/20 | Purchase | \$ 10,000,000.00 | CP | EXXON MOBIL CORP | 10/28/20 | 0.965 |
| 05/01/20 | Purchase | \$ 1,550,000.00 | MTN | VISA INC | 12/14/20 | 0.704 |
| 05/01/20 | Purchase | \$ 1,000,000.00 | MTN | MERCK & CO INC | 01/15/21 | 1.735 |
| 05/01/20 | Purchase | \$ 500,000.00 | MTN | CHEVRON CORP | 05/16/21 | 1.008 |
| 05/01/20 | Purchase | \$ 350,000.00 | MTN | JOHNSON & JOHNSON | 05/15/21 | 0.438 |
| 05/01/20 | Purchase | \$ 10,000,000.00 | CP | EXXON MOBIL CORP | 10/30/20 | 0.894 |
| 05/04/20 | Purchase | \$ 1,577,000.00 | MTN | MERCK & CO INC | 01/15/21 | 1.763 |
| 05/04/20 | Purchase | \$ 285,000.00 | MUNI | CITY OF LOS ANGELES AIRPORTS | 05/15/22 | 1.730 |
| 05/04/20 | Purchase | \$ 1,270,000.00 | MTN | COOPERATIEVE RABOBANK UA NY | 01/19/21 | 0.651 |
| 05/04/20 | Purchase | \$ 1,875,000.00 | MTN | PEPSICO INC | 11/01/20 | 0.606 |
| 05/05/20 | Purchase | \$ 6,406,000.00 | MTN | CREDIT SUISSE NEW YORK | 11/12/21 | 1.200 |
| 05/06/20 | Purchase | \$ 3,125,000.00 | MTN | APPLE INC | 05/06/21 | 0.509 |
| 05/12/20 | Purchase | \$ 250,000.00 | MUNI | SAN DIEGUITO UHSD | 08/01/20 | 1.066 |
| 05/12/20 | Purchase | \$ 250,000.00 | MUNI | SAN DIEGUITO UHSD | 08/01/21 | 1.166 |
| 05/12/20 | Purchase | \$ 500,000.00 | MUNI | WEST CONTRA COSTA USD | 08/01/20 | 1.184 |
| 05/12/20 | Purchase | \$ 500,000.00 | MUNI | WEST CONTRA COSTA USD | 08/01/21 | 1.284 |
| 05/12/20 | Purchase | \$ 750,000.00 | MTN | JOHNSON & JOHNSON | 03/01/21 | 0.434 |
| 05/12/20 | Purchase | \$ 6,740,000.00 | MTN | CREDIT SUISSE NEW YORK | 11/12/21 | 0.965 |
| 05/12/20 | Purchase | \$ 10,000,000.00 | CP | KOREA DEVELOPMENT BK NY | 02/02/21 | 0.512 |
| 05/12/20 | Purchase | \$ 500,000.00 | MUNI | STATE OF CALIFORNIA | 04/01/21 | 0.801 |
| 05/12/20 | Purchase | \$ 10,000,000.00 | YCD | DZ BANK NY | 08/12/20 | 0.220 |
| 05/12/20 | Purchase | \$ 10,000,000.00 | YCD | KOREA DEVELOPMENT BK NY | 09/14/20 | 0.320 |
| 05/13/20 | Purchase | \$ 10,000,000.00 | YCD | NATL BANK OF KUWAIT NY | 07/13/20 | 0.430 |
| 05/13/20 | Purchase | \$ 330,000.00 | MTN | APPLE INC | 02/23/21 | 0.567 |
| 05/13/20 | Purchase | \$ 5,500,000.00 | MTN | PFIZER INC | 06/03/21 | 0.498 |
| 05/13/20 | Purchase | \$ 2,200,000.00 | MTN | COOPERATIEVE RABOBANK UA NY | 01/19/21 | 0.399 |
| 05/13/20 | Purchase | \$ 1,400,000.00 | MTN | APPLE INC | 08/04/21 | 0.491 |
| 05/13/20 | Purchase | \$ 451,000.00 | MTN | JOHNSON & JOHNSON | 12/05/21 | 0.355 |
| 05/13/20 | Purchase | \$ 310,000.00 | MUNI | MILL VALLEY CA SCH DIST | 08/01/22 | 1.300 |
| 05/14/20 | Purchase | \$ 10,000,000.00 | CP | TOYOTA MOTOR CREDIT CORP | 11/23/20 | 1.248 |
| 05/14/20 | Purchase | \$ 10,000,000.00 | YCD | KOREA DEVELOPMENT BK NY | 10/15/20 | 0.370 |
| 05/14/20 | Purchase | \$ 10,000,000.00 | YCD | KOREA DEVELOPMENT BK NY | 11/20/20 | 0.400 |
| 05/15/20 | Purchase | \$ 10,000,000.00 | CP | EXXON MOBIL CORP | 07/31/20 | 0.440 |
| 05/15/20 | Purchase | \$ 10,000,000.00 | CP | KOREA DEVELOPMENT BK NY | 03/12/21 | 0.452 |
| 05/18/20 | Purchase | \$ 10,000,000.00 | CP | EXXON MOBIL CORP | 08/06/20 | 0.450 |
| 05/19/20 | Purchase | \$ 255,000.00 | MUNI | SAN MATEO FOSTER SD | 08/01/20 | 0.962 |
| 05/19/20 | Purchase | \$ 475,000.00 | MUNI | SAN MATEO FOSTER SD | 08/01/21 | 1.062 |

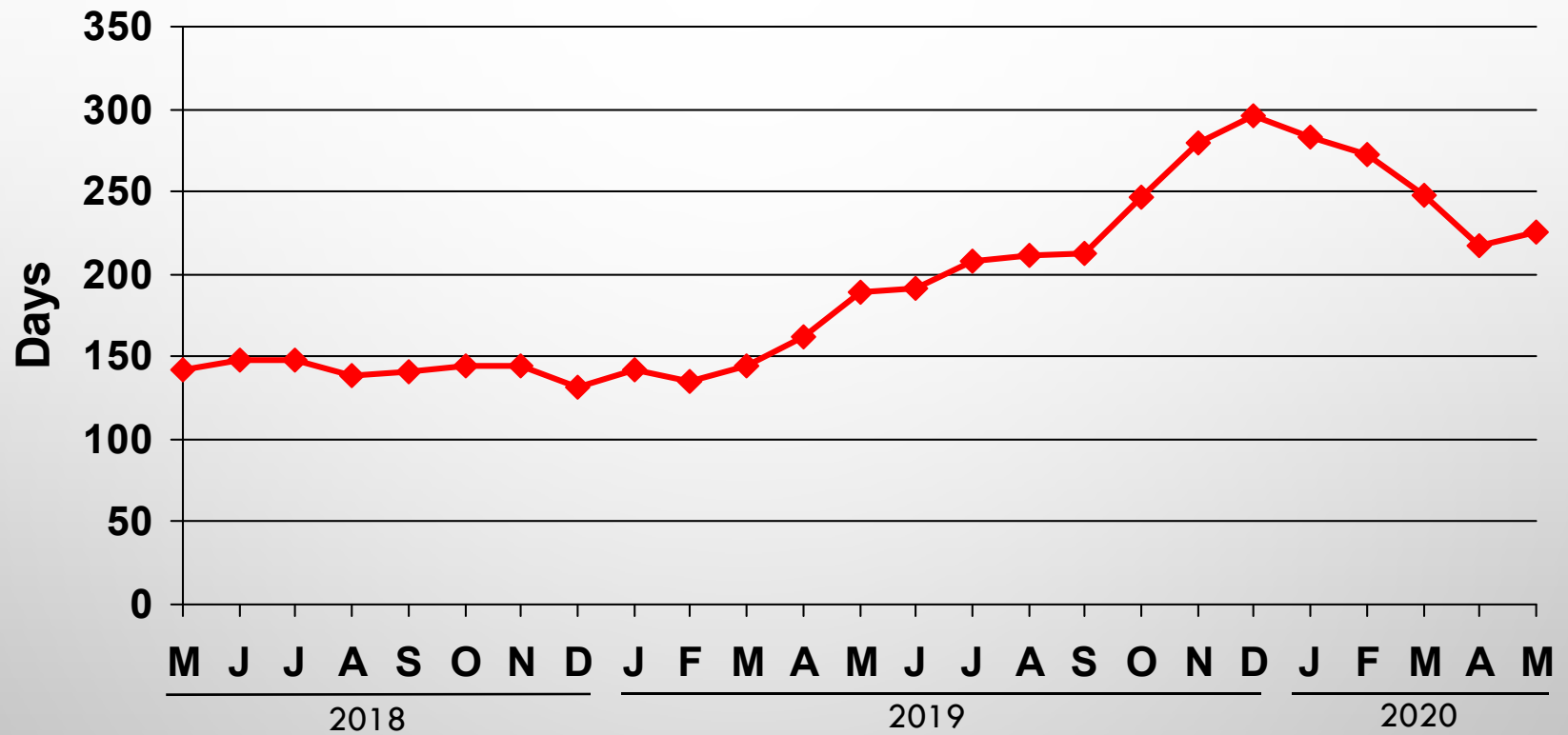
MONTHLY TRANSACTIONS REPORT - MAY 2020

| Transaction Date | Purchase/ Sale | Par Amount | Security Type | Security Name | Maturity Date | Yield |
|------------------|-------------------|------------------|---------------|------------------------------|---------------|-------|
| 05/19/20 | Purchase | \$ 300,000.00 | MUNI | MOUNTAIN VIEW - WHISMAN SCD | 09/01/21 | 0.941 |
| 05/19/20 | Purchase | \$ 2,000,000.00 | MTN | APPLE INC | 08/04/21 | 0.437 |
| 05/19/20 | Purchase | \$ 1,370,000.00 | MTN | COOPERATIEVE RABOBANK UA NY | 04/26/21 | 0.423 |
| 05/19/20 | Purchase | \$ 10,000,000.00 | CP | KOREA DEVELOPMENT BK NY | 02/26/21 | 0.421 |
| 05/20/20 | Purchase | \$ 10,000,000.00 | YCD | OVERSEA-CHINESE BK CO NY | 11/18/20 | 0.250 |
| 05/21/20 | Purchase | \$ 10,000,000.00 | CP | EXXON MOBIL CORP | 08/19/20 | 0.280 |
| 05/21/20 | Purchase | \$ 10,000,000.00 | CP | TOYOTA MOTOR CREDIT CORP | 02/12/21 | 1.313 |
| 05/22/20 | Purchase | \$ 1,000,000.00 | MUNI | CHINO VALLEY USD | 08/01/22 | 0.651 |
| 05/22/20 | Purchase | \$ 10,000,000.00 | YCD | NATL BANK OF KUWAIT NY | 08/27/20 | 0.430 |
| 05/26/20 | Purchase | \$ 10,000,000.00 | CP | TOYOTA MOTOR CREDIT CORP | 02/16/21 | 0.472 |
| 05/26/20 | Purchase | \$ 750,000.00 | MTN | WELLS FARGO BANK NA | 10/22/21 | 1.626 |
| 05/26/20 | Purchase | \$ 10,000,000.00 | YCD | NATL BANK OF KUWAIT NY | 07/27/20 | 0.330 |
| 05/26/20 | Purchase | \$ 10,000,000.00 | CP | TOYOTA MOTOR CREDIT CORP | 02/19/21 | 0.482 |
| 05/27/20 | Purchase | \$ 2,000,000.00 | MTN | TOYOTA MOTOR CREDIT CORP | 05/17/21 | 0.759 |
| 05/27/20 | Purchase | \$ 10,000,000.00 | YCD | NATL BANK OF KUWAIT NY | 07/31/20 | 0.330 |
| 05/27/20 | Purchase | \$ 10,000,000.00 | YCD | BANCO ESTADO CHILE NY | 08/31/20 | 0.310 |
| 05/27/20 | Purchase | \$ 23,200,000.00 | CP | EXXON MOBIL CORP | 09/25/20 | 0.240 |
| 05/27/20 | Purchase | \$ 10,000,000.00 | YCD | OVERSEA-CHINESE BK CO NY | 11/18/20 | 0.250 |
| 05/28/20 | Purchase | \$ 5,500,000.00 | MTN | US BANCORP | 05/24/21 | 0.647 |
| 05/28/20 | Purchase | \$ 230,000.00 | MUNI | CITY OF LOS ANGELES AIRPORTS | 05/15/22 | 0.955 |
| 05/28/20 | Purchase | \$ 10,000,000.00 | CP | CREDIT SUISSE NEW YORK | 02/22/21 | 0.441 |
| 05/29/20 | Purchase | \$ 1,000,000.00 | MTN | CREDIT SUISSE NEW YORK | 11/12/21 | 0.714 |
| 05/29/20 | Purchase | \$ 6,413,000.00 | MTN | WELLS FARGO BANK NA | 10/22/21 | 0.814 |
| 05/29/20 | Purchase | \$ 10,000,000.00 | SUPRANATIONAL | INTL BK RECON & DEVELOP | 05/24/21 | 0.213 |
| 05/29/20 | Purchase | \$ 5,000,000.00 | SUPRANATIONAL | INTL BK RECON & DEVELOP | 09/20/21 | 0.266 |

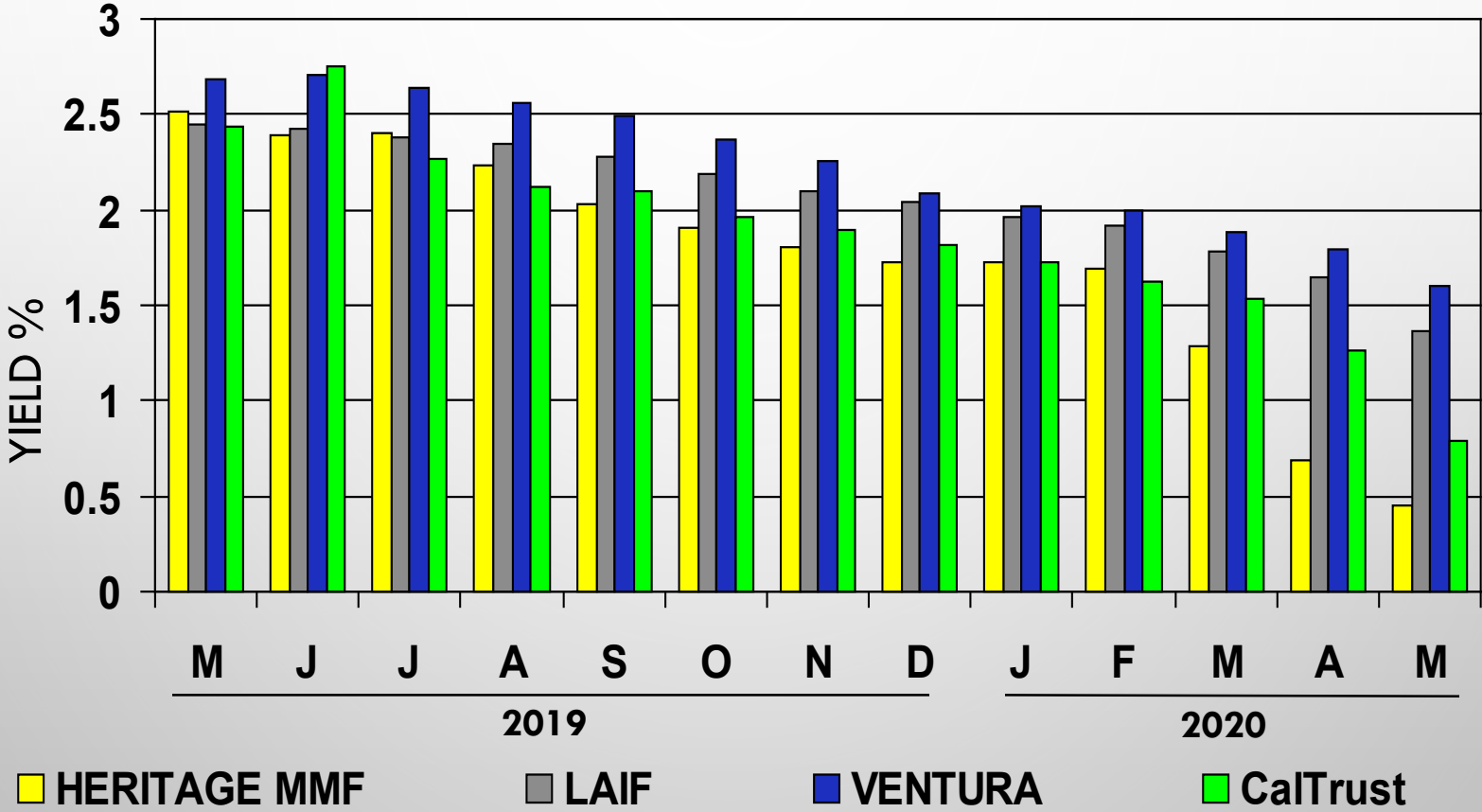
PORTFOLIO AVERAGE MONTHLY BALANCE



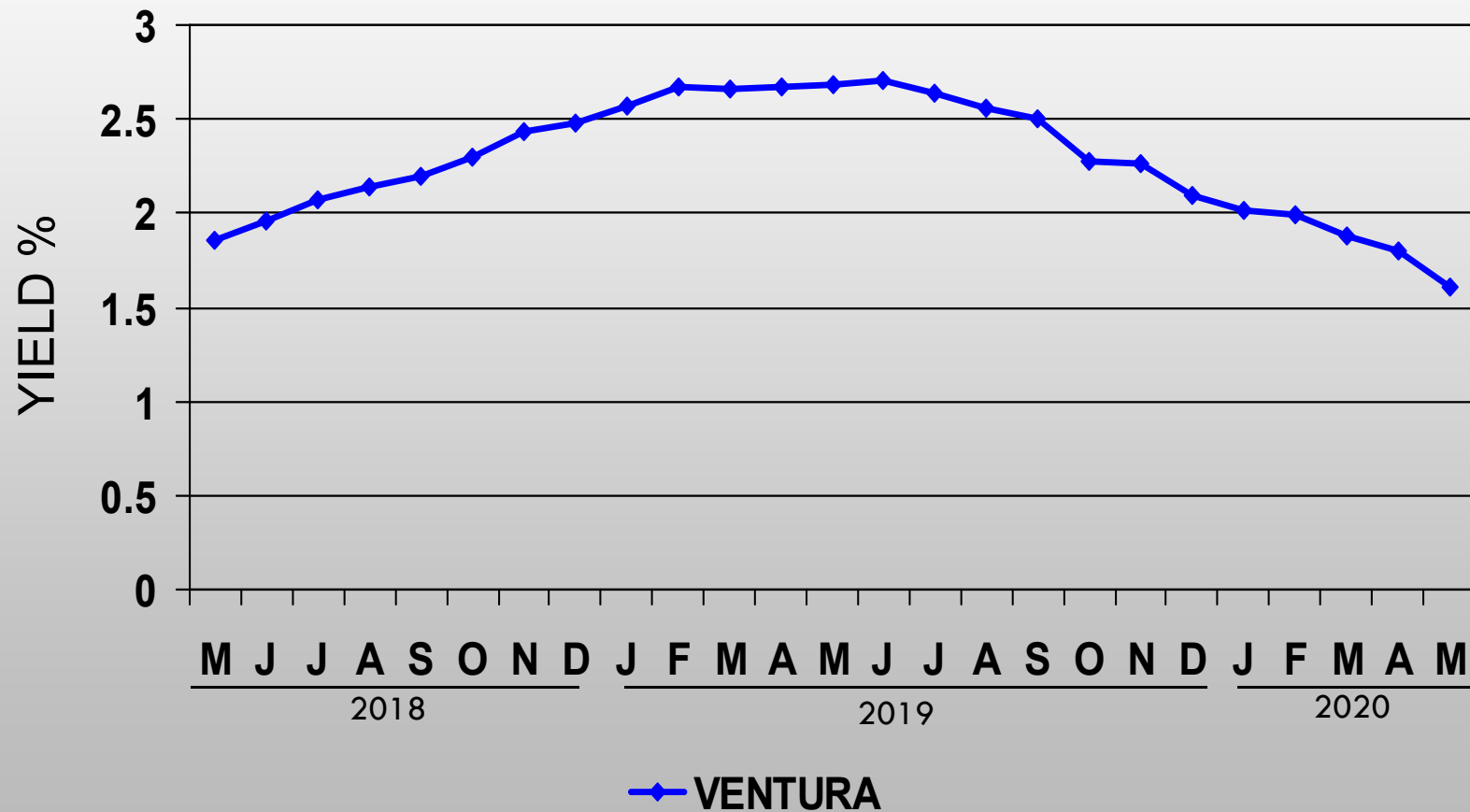
AVERAGE MATURITY



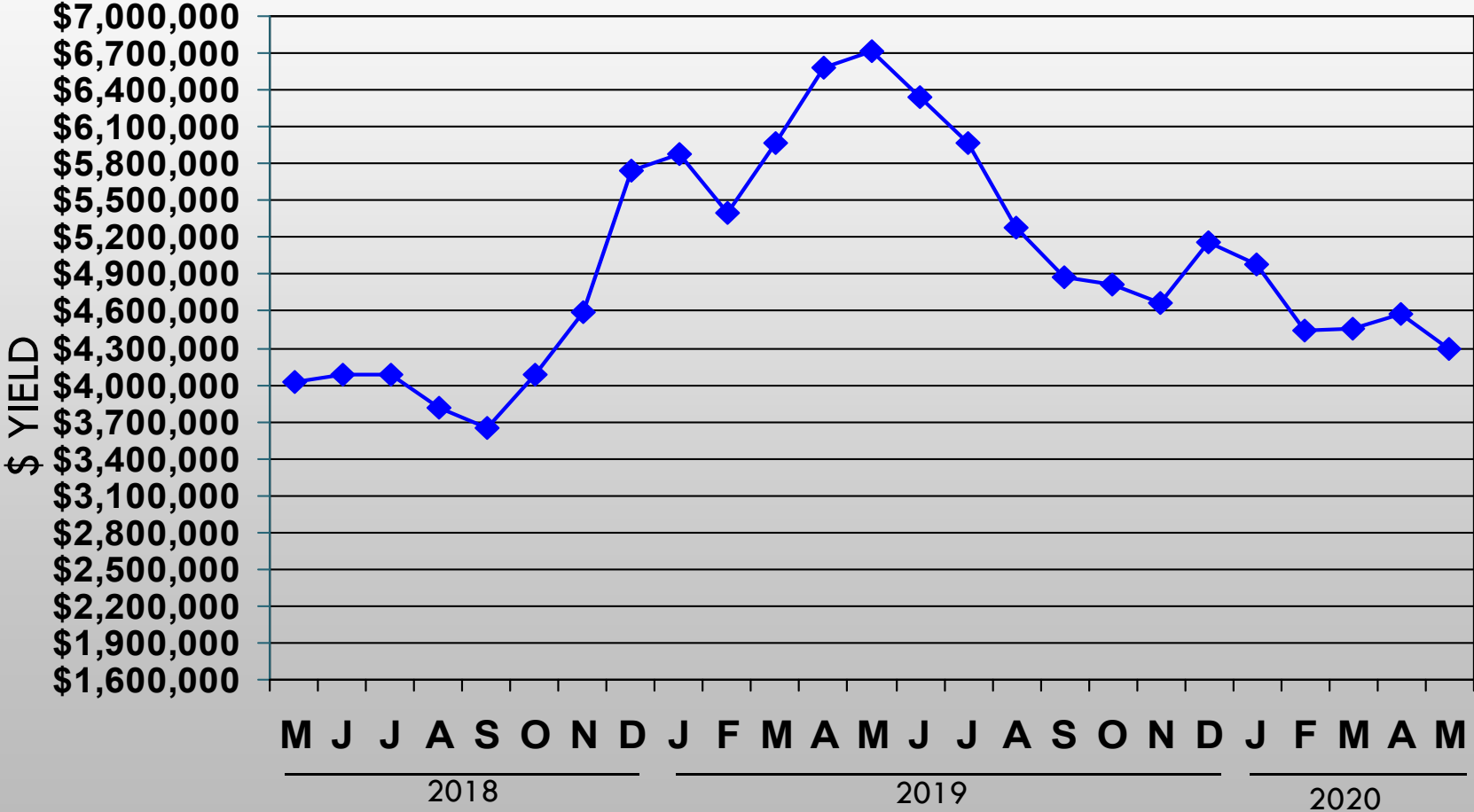
++++YIELD COMPARISON



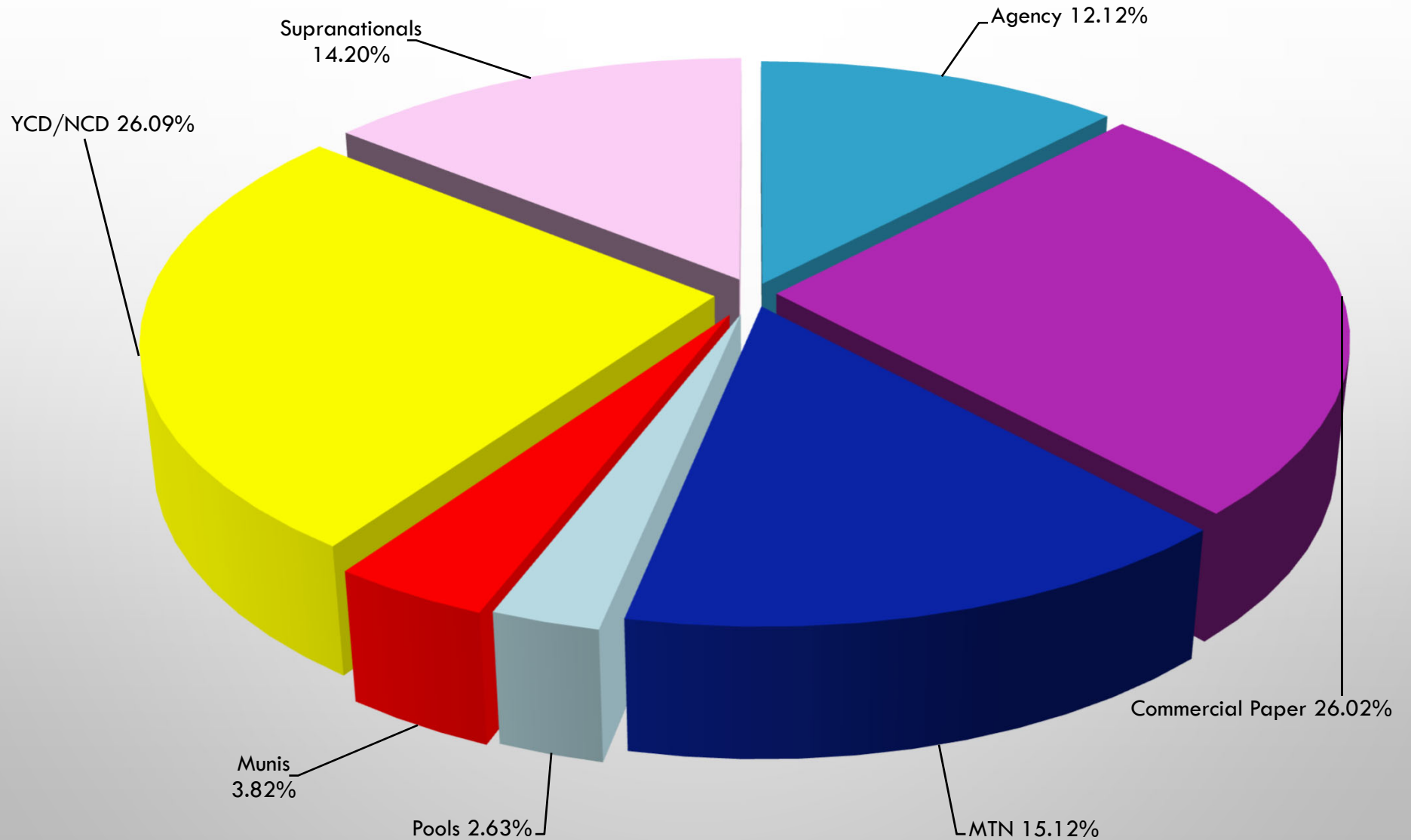
ROLLING 2-YEAR % YIELD



ROLLING 2-YEAR \$ YIELD



PORTFOLIO HOLDINGS BY CLASS



APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100