PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 16, 2022

NEW ISSUE - FULL BOOK-ENTRY **RATING: S&P: "A+"**
BANK QUALIFIED **See "RATING" herein.**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. In addition, the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$7,000,000*
ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
2022 Election, Series A
(Bank Qualified)

Dated: Date of Delivery **Due: August 1, as shown on inside front cover**

Authority and Purpose. The above-captioned General Obligation Bonds, 2022 Election, Series A, are being issued by the Anderson Valley Unified School District pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 9, 2022. The Bonds were authorized at an election of the registered voters of the District held on June 7, 2022, which authorized the issuance of $13,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the first series of bonds to be issued under the 2022 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2023. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds, and will decide prior to the sale of the Bonds whether to purchase such insurance.

MATURITY SCHEDULE
(See inside cover)

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

*The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Irvine, California is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 8, 2022.**

RAYMOND JAMES

The date of this Official Statement is ________, 2022.

Preliminary; subject to change.

MATURITY SCHEDULE*

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
2022 Election, Series A
(Bank Qualified)

Base CUSIP†: 034161

$_________ Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$________ ____% Term Bonds maturing August 1, 20__; Yield: ___%; Price: ____; CUSIP†: ___

**Preliminary; subject to change.*
†CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
(Mendocino County, California)

DISTRICT ADMINISTRATION

Louise Simson, *Superintendent*
Leigh Kreienhop, *Chief Business Officer*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Dale Scott & Company Inc.
San Francisco, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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$7,000,000*
ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
2022 Election, Series A
(Bank Qualified)

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

INTRODUCTION

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

The District. The District, located in Mendocino County (the "**County**"), was established on July 1, 1963. The District currently operates Anderson Valley Elementary School (grades TK-6), Anderson Valley Junior/Senior High School (grades 7-12), an Adult School and Peachland State Preschool. The District is governed by a five-member Board of Trustees. Enrollment in the District is budgeted for approximately 427 students for fiscal year 2022-23.

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

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable with financial and economic impacts that cannot be predicted. While COVID-19 appears to be moving towards endemic status, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may ultimately have on its operations and finances, property values in the District, and economic activity in the District, the State of California (the "**State**"), the nation, or globally. For more information regarding the COVID-19 emergency, see "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" and "DISTRICT GENERAL INFORMATION – District's Response to COVID-19 Emergency" in APPENDIX A.

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction of and improvements to facilities of the District, as approved by voters in the District at an election held on June 7, 2022 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize $13 million of general obligation bonds, and will be issued pursuant to certain provisions of the Government Code

* *Preliminary; subject to change.*

of the State and a resolution adopted by the Board of Trustees of the District on August 9, 2022 (the "**Bond Resolution**"). See "THE BONDS – Authority for Issuance" herein.

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2023. See "THE BONDS – Description of the Bonds" herein.

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

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

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

Following the issuance of the Bonds, there will be $6,000,000* of unissued principal remaining under the 2022 Authorization (as defined herein). See "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

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

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

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance. See "BOND INSURANCE."

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* *Preliminary; subject to change.*

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

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

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

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $13,000,000 (the "**2022 Authorization**").

The Bonds are the first series of bonds issued pursuant to the 2022 Authorization. Following the issuance of the Bonds, there will be $6,000,000* unissued principal remaining under the 2022 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by voters in the District on June 7, 2022, the abbreviated text of which appeared on the ballot as follows:

> *"To renovate classrooms; upgrade agricultural program facilities; repair or replace roofs, water infrastructure, heating and air conditioning systems; construct an elementary school multipurpose room; and improve student safety, shall Anderson Valley Unified School District's measure authorizing $13,000,000 in bonds be adopted with legal interest rates, estimated levies of less than 6 cents per $100 assessed value (raising $724,579 annually) while bonds are outstanding, annual independent audits, citizen oversight, no funds for administrator salaries, and all funds improving local schools?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2022 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

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

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2023 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof

* *Preliminary; subject to change.*

unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2023, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

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

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

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

Redemption*

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

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

* *Preliminary; subject to change.*

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

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

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

Notice of Redemption

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

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

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

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

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

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

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

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

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

"Federal Securities" means: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; (b) any obligations the timely payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America or which are secured by obligations described in the preceding clause (a); (c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form; and (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and (vi) obligations of the Federal Home Loan Bank (FHLB).

DEBT SERVICE SCHEDULES

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

Anderson Valley Unified School District
General Obligation Bonds
2022 Election, Series A
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
TOTAL			

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

Period Ending (Aug. 1)	Series 2010 A Bonds (1)	Series 2010 B-1 Bonds	Series 2010 C Bonds	2020 Refunding Bonds	The Bonds	Aggregate Annual Debt Service
2023	$180,051.81	$95,000.00	$10,000.00	$133,300.00		
2024	186,846.19	--	10,000.00	253,300.00		
2025	193,270.21	--	10,000.00	258,500.00		
2026	199,303.88	--	15,000.00	268,300.00		
2027	209,927.21	--	15,000.00	277,500.00		
2028	--	--	10,000.00	491,100.00		
2029	--	--	15,000.00	505,900.00		
2030	--	--	15,000.00	529,500.00		
2031	--	515,000.00	15,000.00	86,500.00		
2032	--	345,000.00	15,000.00	260,500.00		
2033	--	--	15,000.00	592,500.00		
2034	--	--	15,000.00	621,300.00		
2035	--	--	15,000.00	643,750.00		
2036	--	--	755,000.00	--		
2037	--	--	785,000.00	--		
2038	--	--	820,000.00	--		
2039	--	--	850,000.00	--		
2040	--	--	258,333.33(2)	--		
TOTAL	$969,399.30	$955,000.00	$3,643,333.33	$4,921,950.00		

(1) The District's Series 2010 A Bonds were issued as taxable direct-pay new clean renewable energy bonds. Debt service shown is net of federal tax credit subsidies expected to be received and includes sequestration percentage of 5.70% on the subsidy amount.
(2) Matures on June 1, 2040.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service Fund	
Costs of Issuance [1]	
Total Uses	

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

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. Under California law, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Natural Disasters. Economic and other factors beyond the District's control, such as economic recession, deflation of property values, pandemics, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value."

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Anderson Valley Unified School District, 2022 Election, Series A Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Anderson Valley Unified School District, 2022 Election, Series A Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

Not a County Obligation

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

COVID-19 Global Pandemic

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), which was first detected in 2020 and spread throughout the world, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). Since its emergence, tremendous volatility in the financial markets occurred, and nations have taken actions to curb the spread including stay at home orders and other actions which have unknown long-term impacts including on worldwide and local economies. As of this date, several vaccines have been provided approval by federal health authorities and are widely available.

Federal Responses. To address the challenges that have arisen due to the COVID-19 pandemic, the federal government adopted several aid packages including:

Coronavirus Preparedness and Response Supplemental Appropriations Act (March 6, 2020): A $8.3 billion emergency supplemental appropriations package to enhance the national response to COVID-19, including public health funds for preparedness and response and for research.

Families First Coronavirus Response Act (March 18, 2020): A federal relief package ($100 billion) responding to the COVID-19 outbreak by providing paid sick leave, tax credits, and free COVID-19 testing, expanding food assistance and unemployment benefits, and increasing Medicaid funding.

CARES Act (March 27, 2020): The Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**) provided $2 trillion in federal spending and loans toward coronavirus relief efforts, representing the largest rescue package in U.S. history. Along with funding a wide range of emergency appropriations, the legislation also allocated hundreds of billions in loans and grants to major industries and small businesses, direct cash payments to taxpayers and significantly expanded unemployment benefits. This funding allocation included approximately $13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 pandemic.

Federal Reserve Programs Implemented (April 9, 2020): The Federal Reserve took actions aimed at providing up to $2.3 trillion in loans to support the national economy, including supplying liquidity to participating financial institutions in the Small Business Administration's (**"SBA"**) Paycheck Protection Program (**"PPP"**), purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

Paycheck Protection Program (April 24, 2020): $484 billion federal aid package which primarily renewed funding for the Paycheck Protection Program (**"PPP"**), the SBA disaster assistance loans and grant program, hospital grants and funding for a COVID-19 testing program.

Consolidated Appropriations Act (December 27, 2020): The Coronavirus Response and Consolidated Appropriations Act continued many of the programs implemented with the CARES Act as part of a $900 billion federal relief package. It provided additional direct stimulus payments to individuals and families, extended unemployment benefits, expanded the PPP, and provided approximately $82 billion in supplemental aid to support the educational needs of states, school districts, and institutions of higher education, among other stimulus measures.

American Rescue Plan (March 11, 2021): The American Rescue Plan Act of 2021 (the **"ARP Act"**), a $1.9 trillion economic stimulus plan providing additional stimulus checks to individuals and families, extending federal supplemental unemployment benefits, providing more funding for state and local governments, expanding subsidies for healthcare insurance, and provide additional funding for COVID-19 testing, vaccination, and treatment, among several other provisions. With respect to relief for educational agencies, it included grants of $125.8 billion for states to support statewide and local funding for elementary and secondary schools and public postsecondary institutions. It provides that states that receive the grants cannot reduce their spending levels on education as a proportion of their budgets during fiscal years 2022 or 2023, compared with the average level from fiscal years 2017 through 2019.

State Responses to COVID-19 Pandemic. At the State level, to address some of the challenges that have arisen due to the COVID-19 pandemic, legislative actions include:

<u>$1.1 Billion in Emergency Coronavirus funding (March 16, 2020)</u>: The State legislature passed $1.1 billion in general purpose spending authority providing emergency funds to respond to the pandemic.

<u>$7.6 Billion Coronavirus Relief Package (February 23, 2021)</u>: The Governor signed legislation providing $7.6 billion in State funding aimed at helping individuals and businesses that were not included in federal aid packages, which included sending rebates to low-income, disabled and undocumented persons when 2020 taxes were filed, $2 billion in grants for small business, $35 million for food and diaper banks and $400 million in subsidies for childcare providers.

California School Districts and the COVID-19 Pandemic. Impacts on school districts from the COVID-19 pandemic include:

<u>Remote Learning; Attendance and Enrollment</u>. In-person classroom instruction throughout State schools was generally suspended from March 2020 through the end of the 2019-20 academic year. The 2020-21 academic year included significant amounts of distance learning as opposed to in-person instruction due to State and local restrictions and recommendations. The 2021-22 academic year generally commenced with in-person learning with an independent study option. Impacts of remote learning include difficulty in tracking and maintaining average daily attendance figures. Several school districts also experienced unplanned declines in enrollment, due to home schooling and families moving out of the State, among other reasons.

<u>Senate Bill 117 (March 17, 2020)</u>: Legislation which effectively held school districts harmless from funding losses that could result from attendance issues under the State's education funding formula. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally."

<u>Safe Schools for All Plan (December 30, 2020)</u>: The Governor announced a plan aimed at incentivizing schools to offer in-person learning, also implemented with Senate and Assembly Bill 86. The plan provided schools with financial incentives totaling $2 billion to offer in-person instruction beginning April 1, 2021, and after May 15, eligibility ceased. Funds obtained were primarily to be spent on purposes consistent with providing in-person instruction, including COVID-19 testing, cleaning, personal protective equipment, facility needs, staffing costs, and social and mental health supports provided in conjunction with in-person instruction. Districts were required to continue to offer distance learning options.

<u>State's Fiscal Years 2021-22 and 2022-23 Budgets and Related Legislation</u>: The two most recent State budgets have provided historic levels of funding for educational purposes. Funding is aimed at the expansion of transitional kindergarten, funding of

community wellness and student health hubs on campuses, expanded learning programs and increased special education funding, and minimizing the impacts that reductions in average daily attendance resulting from the COVID-19 pandemic might have on a school district's funding entitlement.

For more information on the District's response to the COVID-19 pandemic, see Appendix A under the heading "GENERAL DISTRICT INFORMATION - District's Response to COVID-19 Pandemic."

Disclaimer Regarding COVID-19 Pandemic. Notwithstanding that several vaccines have been developed for COVID-19 and are generally widely available, investors continue to be cautioned that the District cannot predict the full impacts that the COVID-19 pandemic may have had or will continue to have, either directly or indirectly, on its operations, including its finances, property values and other matters.

General Obligation Bonds Secured by* Ad Valorem *Property Tax Revenues. Notwithstanding the foregoing information regarding the COVID-19 pandemic, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, levied in the District. The Bonds are not payable from the general fund of the District. The District cannot predict the direct or indirect impacts that the COVID-19 pandemic might have on local property values or tax collections. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes" and "PROPERTY TAXATION – Tax Levies and Delinquencies and Property Tax Collection Procedures" herein.

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuation

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

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

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

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2008-09 through 2022-23

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2008-09	$428,594,218	--	$22,116,883	$450,711,101	--%
2009-10	456,087,901	--	23,358,332	479,446,233	6.4
2010-11	472,882,273	--	24,129,947	497,012,220	3.7
2011-12	482,059,182	--	25,516,648	507,575,830	2.1
2012-13	498,483,864	--	27,360,500	525,844,364	3.6
2013-14	514,673,268	--	28,170,127	542,843,395	3.2
2014-15	521,716,587	$20,800	32,623,907	554,340,494	2.1
2015-16	541,597,270	20,800	33,002,033	574,620,103	3.7
2016-17	568,002,566	21,600	34,350,863	602,375,029	4.8
2017-18	593,913,801	21,600	34,137,875	628,073,276	4.3
2018-19	620,404,396	21,600	36,257,420	656,683,416	4.6
2019-20	634,767,122	24,000	34,943,354	669,734,476	2.0
2020-21	661,237,303	24,000	34,826,284	696,087,587	3.9
2021-22	669,540,304	24,000	34,963,516	704,527,820	1.2
2022-23	678,756,033	--	35,836,719	714,592,752	1.4

Source: California Municipal Statistics, Inc. for fiscal years 2008-09 through 2021-22; County Auditor-Controller for fiscal year 2022-23.

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

Wildfires. According to the State, fire season is starting earlier and ending later each year, with the increased length of the season corresponding to an increase in the extent of forest fires across the State.

In addition to destroying land and structures, there have been human fatalities and negative impacts on air quality throughout the State. Fires in the State and neighboring states have threatened the region's power grids, making some power lines unreliable. The District cannot predict or make any representations regarding the effects that wildfires and related conditions have or may have on the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Drought. The State has experienced drought conditions in recent years, including a period of drought followed by record-level precipitation in late 2016 and early 2017 which resulted in related severe flooding and mudslides in certain regions. On October 19, 2021, the Governor declared a drought emergency in all of the State's 58 counties, citing above average temperature and dry conditions. The declaration did not impose mandatory consumption cutbacks, but asked residents to voluntarily cut water consumption by 15% compared with last year. There can be no guarantee that the State will not implement additional strategies to alleviate problems that arise during a period of drought.

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State. See also "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Property Tax Base Transfer Ballot Measure. On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment ("**Proposition 19**"), which will: (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 a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Assessed Valuation by Jurisdiction. The table below shows the assessed valuation by jurisdiction of properties within the District.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2021-22

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Unincorporated Mendocino Co.	$704,527,818	100.00%	$10,002,610,466	7.04%
Total District	$704,527,818	100.00%		
Mendocino County	$704,527,818	100.00%	$12,961,510,032	5.44%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2021-22. As shown, the majority of the District's assessed valuation is represented by residential property.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2021-22

Non-Residential:	**2021-22 Assessed Valuation (1)**	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural/Rural/Timber	$316,494,614	47.27%	2,045	61.89%
Commercial	24,245,447	3.62	61	1.85
Vacant Commercial	427,948	0.06	5	0.15
Industrial	20,038,660	2.99	14	0.42
Vacant Industrial	1,116,790	0.17	2	0.06
Government/Social/Institutional	25,330	0.00	2	0.06
Miscellaneous	4,715,239	0.70	52	1.57
Subtotal Non-Residential	$367,064,028	54.82%	2,181	66.01%
Residential:				
Single Family Residence	$270,433,945	40.39%	868	26.27%
Mobile Home	16,399,055	2.45	91	2.75
2+ Residential Units/Apartments	10,527,510	1.57	31	0.94
Vacant Residential	5,115,766	0.76	133	4.03
Subtotal Residential	$302,476,276	45.18%	1,123	33.99%
Total	$669,540,304	100.00%	3,304	100.00%

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

Assessed Valuation of Single-Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2021-22, including the median and average assessed value of single-family parcels in the District.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2021-22

	No. of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	868	$270,433,945	$311,560	$222,074

2021-22 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	141	16.244%	16.244%	$ 3,634,346	1.344%	1.344%
$50,000 - $99,999	94	10.829	27.074	6,905,175	2.553	3.897
$100,000 - $149,999	80	9.217	36.290	9,978,348	3.690	7.587
$150,000 - $199,999	94	10.829	47.120	16,614,821	6.144	13.731
$200,000 - $249,999	50	5.760	52.880	11,121,532	4.112	17.843
$250,000 - $299,999	66	7.604	60.484	18,180,579	6.723	24.566
$300,000 - $349,999	47	5.415	65.899	15,093,103	5.581	30.147
$350,000 - $399,999	49	5.645	71.544	18,319,592	6.774	36.921
$400,000 - $449,999	40	4.608	76.152	17,169,196	6.349	43.270
$450,000 - $499,999	38	4.378	80.530	18,126,123	6.703	49.973
$500,000 - $549,999	33	3.802	84.332	17,203,106	6.361	56.334
$550,000 - $599,999	27	3.111	87.442	15,402,494	5.695	62.029
$600,000 - $649,999	17	1.959	89.401	10,597,440	3.919	65.948
$650,000 - $699,999	13	1.498	90.899	8,777,183	3.246	69.194
$700,000 - $749,999	11	1.267	92.166	7,906,613	2.924	72.117
$750,000 - $799,999	11	1.267	93.433	8,556,711	3.164	75.281
$800,000 - $849,999	6	0.691	94.124	4,973,238	1.839	77.120
$850,000 - $899,999	5	0.576	94.700	4,378,867	1.619	78.740
$900,000 - $949,999	3	0.346	95.046	2,746,168	1.015	79.755
$950,000 - $999,999	10	1.152	96.198	9,713,790	3.592	83.347
$1,000,000 and greater	33	3.802	100.000	45,035,520	16.653	100.000
	868	100.000%		$270,433,945	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Tax Levies and Delinquencies

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

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

Notwithstanding the County's participation in the Teeter Plan, the table below identifies recent secured tax charges and delinquencies with respect to secured ad valorem property tax levies within the boundaries of the District.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2015-16 through 2020-21

Tax Year	Secured Tax Charge	Amount Delinquent June 30	% Delinquent June 30(1)
2015-16	$231,747	$5,600	2.42%
2016-17	402,672	9,378	2.33
2017-18	348,028	6,901	1.98
2018-19	310,188	5,712	1.84
2019-20	361,961	8,130	2.25
2020-21	356,033	10,559	2.97

(1) District's general obligation bonds debt service levy.
Source: California Municipal Statistics, Inc.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 53-008) within the District for fiscal years 2017-18 through 2021-22.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates of Assessed Valuation
(TRA 53-008-2021-22 Assessed Valuation: $324,860,865(1))
Fiscal Years 2017-18 through 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
General Tax Rate	$1.000	$1.000	$1.000	$1.000	$1.000
Mendocino-Lake CCD	.021	.021	.022	.023	.021
Anderson Valley Unified School District	.060	.050	.057	.054	.007
Total All Property Tax Rate	$1.081	$1.071	$1.079	$1.077	$1.028

(1) 46.11% of the total District's assessed valuation.
Source: California Municipal Statistics, Inc.

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2021-22. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2021-22

	Property Owner	Primary Land Use	2021-22 Assessed Valuation	% of Total (1)
1.	Heritage Wine LLC	Vineyards	$ 22,435,885	3.35%
2.	Anderson Vineyards Inc.	Vineyards	20,266,996	3.03
3.	Jackson Family Investments II LLC	Vineyards	20,255,044	3.03
4.	Mainsheet Capital Inc.	Brewery	10,052,110	1.50
5.	Rhy's Vineyards LLC	Vineyards	8,514,607	1.27
6.	Cakebread Properties	Vineyards	7,961,024	1.19
7.	Rawah Vineyards LLC	Vineyards	7,955,875	1.19
8.	Gilman Ordway	Vineyards	7,294,356	1.09
9.	Redwood Grove Vineyards Inc.	Vineyards	7,088,210	1.06
10.	The Squirrel and the Cross LLC	Rural	6,138,701	0.92
11.	Mendocino Redwood Company LLC	Timber	5,864,452	0.88
12.	Milla Louisa McClellan	Winery	5,635,322	0.84
13.	Duckhorn Wine Company	Vineyards	5,535,289	0.83
14.	Edward T. Bennett, Trust	Vineyards	5,260,851	0.79
15.	LMR Wine Estates LLC	Vineyards	4,787,259	0.72
16.	Foggy Hills Farm LLC	Rural	4,670,256	0.70
17.	Gary N. and Virginia Island, Trustees	Rural	4,574,069	0.68
18.	Fields of Gold Inc.	Vineyards	4,418,870	0.66
19.	Eagle Creek Pacific LLC	Vineyards	4,149,787	0.62
20.	Hall Anderson Creek Vineyards LLC	Vineyards	4,132,134	0.62
			$166,991,097	24.94%

(1) 2021-22 local secured assessed valuation: $669,540,304.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of July 1, 2022. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of July 1, 2022)

2021-22 Assessed Valuation: $704,527,818

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 7/1/22**	
Mendocino-Lake Community College District	5.745%	$ 4,812,174	
Anderson Valley Unified School District	**100.000**	**6,208,077**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$11,020,251	
OVERLAPPING GENERAL FUND DEBT:			
Mendocino County General Fund Obligations	5.436%	$ 730,055	
Mendocino County Pension Obligation Bonds	5.436	1,514,470	
TOTAL OVERLAPPING GENERAL FUND DEBT		$2,244,525	
COMBINED TOTAL DEBT		$13,264,776	(2)

Ratios to 2021-22 Assessed Valuation:
Direct Debt ($6,208,077)..0.88%
Total Direct and Overlapping Tax and Assessment Debt 1.56%
Combined Total Debt 1.88%

(1) Excludes the Bonds offered for sale hereunder.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. For tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

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

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including as a result of the COVID-19 pandemic. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Dale Scott & Company Inc., as municipal advisor to the District, and Kutak Rock LLP, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2023, with the report for the 2021-22 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the **"Rule"**).

In the previous five-years, the District filed certain operating data for fiscal year 2020-21, as required by its existing continuing disclosure undertakings, eight days after the required filing date. In order to ensure ongoing compliance with its undertakings, the District has engaged Dale Scott & Company Inc., to serve as its dissemination agent in connection with its prior undertakings and the Bonds.

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

RATING

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

UNDERWRITING

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

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

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

By: ____
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The District was established on July 1, 1963 and serves the areas in and around the City of Boonville in Mendocino County. The District currently operates one elementary school, one junior/senior high school and one preschool. Enrollment in the District is budgeted for approximately 427 students for fiscal year 2022-23.

Anderson Valley is located approximately 150 miles north of San Francisco, between the City of Cloverdale on the U.S. Highway 101 corridor to the southeast, and U.S. Highway 1 to the West. Highway 128 parallels the Navarro River and travels through the tiny towns of Yorkville, Boonville, Philo and Navarro. Only about fifteen miles long, this valley is filled with panoramic views of apple orchards, olive groves, grazing sheep, vineyards and rolling hills studded with giant oaks in the southern portion of the valley, giving way to the redwoods in the north.

Historically, the valley's economy has been dominated by the lumber industry, the raising of sheep, and farming. In recent years, the addition of many wineries has been a growing source of economy for the valley.

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

District Governance and Administration

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

Name	Office	Term Expires
Richard Browning	President	November 2024
Saoirse Byrne	Clerk	November 2024
Erika Gatlin	Trustee	November 2022
Justin Rhoades	Trustee	November 2022
Linnea Totten	Trustee	November 2022

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Louise Simson currently serves as the Superintendent of the District, and Leigh Kreienhop as the Chief Business Officer.

Recent Enrollment Trends

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

ANNUAL ENROLLMENT
Fiscal Years 2015-16 through 2022-23
Anderson Valley Unified School District

Fiscal Year	Student Enrollment*	% Change
2015-16	522	--%
2016-17	507	(2.9)
2017-18	488	(3.7)
2018-19	490	0.4
2019-20	449	(8.4)
2020-21	434	(3.3)
2021-22	449	3.5
2022-23*	427	(4.9)

* Budgeted.
Source: California Department of Education for 2015-16 through 2021-22; Anderson Valley School District for 2022-23.

District's Response to COVID-19 Emergency

The District expects to receive a total of approximately $2.95 million in relief funds to address costs which may have resulted from the COVID-19 emergency, including funds to increase or stabilize the amount of instructional time provided to students and provide other learning support. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS – The 2022-23 State Budget" for additional information.

However, the District can make no representation as to the timing of receipt of such funds. The impacts of the COVID-19 emergency on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District.

Employee Relations

The District has 30.23 certificated full-time equivalent ("**FTE**") employees, 34.13 classified FTE employees, and 5.40 management/supervisor/confidential FTE employees. The employees of the District are represented by various bargaining units, as follows:

Employee Group	Representation	Contract Expiration Date
Certificated	Anderson Valley Teachers Association*	June 30, 2025
Classified	California School Employees Association Anderson Valley Chapter 662*	June 30, 2025

*Agreement for salary re-openers for fiscal year 2022-23 was reached May 2022.
Source: Anderson Valley Unified School District.

DISTRICT FINANCIAL INFORMATION

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

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

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 65% (which was increased from 50% as part of the State's trailer bill to the 2021-22 State Budget - Assembly Bill 130) of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. The legislation implementing LCFF also included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

Funding levels used in the LCFF entitlement calculations for fiscal year 2022-23 are set forth in the following table.

Fiscal Year 2022-23 Base Grant Funding* Under LCFF
by Grade Span

Entitlement Factor	K-3	4-6	7-8	9-12
A. 2021-22 Base Grant per ADA	$8,093	$8,215	$8,458	$9,802
B. Base Grant Adjustment (A x 6.28%)	$508	$516	$531	$616
C. 2022-23 COLA for LCFF (A x 6.56%)	$532	$539	$555	$643
D. 2022-23 Base Grant per ADA before Grade Span Adjustments (A+B+C)	$9,132	$9,270	$9,544	$11,061
E. Grade Span Adjustments (K-3: D x 10.4%; 9-12: D x 2.6%)	$950	Not applicable	Not applicable	$288
F. 2022-23 Base Grant/Adjusted Base Grant per ADA (D + E)	$10,082	$9,270	$9,544	$11,349

*Add-ons to the Base Grant, as may be applicable, are: (1) Supplemental Grant: For the supplemental grant funding entitlement, for each grade span, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times Unduplicated Pupil Percentage, times 20%, (2) Concentration Grant: For the concentration grant funding entitlement, the calculation is the base grant or adjusted base grant per ADA, times total funded ADA, times portion of Unduplicated Pupil Percentage that exceeds 55%, times 65%, and (3) Transitional Kindergarten Add-On: For the TK add-on funding, the amount is the rate of $2,813 times the school district's current year TK ADA.
Source: California Department of Education.

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system. When a school district's share of local property taxes exceeds its funding entitlement under LCFF, it is deemed a Basic Aid District and is entitled to keep its local property taxes in lieu of lower funding per ADA available under LCFF. The District is not a Basic Aid District.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

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

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2021, audited financial statements were prepared by Nigro & Nigro, Murrieta, California, and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business Officer. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2016-17 through 2020-21.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2016-17 through 2020-21 (Audited)
Anderson Valley Unified School District (1)

	Audited 2016-17	Audited 2017-18	Audited 2018-19	Audited 2019-20	Audited 2020-21
Revenues					
LCFF	$5,462,331	$5,506,360	$5,518,830	$5,679,578	$5,310,266
Federal revenues	542,516	448,789	473,325	446,096	1,196,078
Other state revenues	1,114,898	733,456	1,119,699	569,131	980,789
Other local revenues	793,177	785,005	1,091,593	898,036	574,645
Total Revenues	7,912,922	7,473,610	8,203,447	7,592,841	8,061,778
Expenditures					
Instruction	4,925,627	4,662,054	4,839,789	4,268,684	4,176,280
Instruction-related services:					
Supervision of instruction	42,419	38,559	35,487	14,851	14,851
Library, media and technology	200,354	221,148	177,962	174,539	580,275
School site administration	564,414	664,036	615,537	624,020	590,553
Pupil services:					
Home-to-school transportation	289,654	300,236	423,356	407,267	198,217
Food services	4,134	5,539	13,370	13,538	78,838
All other pupil services	191,181	205,740	184,633	233,937	172,979
Ancillary services	56,822	54,867	56,162	38,706	6,950
Community services	--	--	58,826	74,516	--
Enterprise activities	--	--	3,897	50	19,721
General administration services					
Data processing	36,572	47,072	35,931	35,491	66,573
Other general administration	898,123	966,831	741,271	665,141	720,491
Plant services	619,534	735,393	728,407	532,609	663,777
Transfers of indirect costs	(33,477)	(6,138)	(9,203)	(6,003)	(4,138)
Intergovernmental	8,582	8,857	11,045	12,905	--
Capital outlay	8,679	--	34,607	56,791	108,013
Total Expenditures	7,812,618	7,904,194	7,951,077	7,147,042	7,388,380
Excess of Revenues Over/(Under) Expend.	100,304	(430,584)	252,370	445,799	673,398
Other Financing Sources (Uses)					
Operating transfers in	--	--	--	--	--
Operating transfers out	(34,965)	(127,521)	(301,701)	(178,311)	(6,992)
Total Other Financing Source(Uses)	(34,965)	(127,521)	(301,701)	(178,311)	(6,992)
Net change in fund balance	65,339	(558,105)	(49,331)	267,488	666,406
Fund Balance, July 1	2,794,604	2,859,943	2,301,838	2,252,507	2,519,995
Fund Balance, June 30	$2,859,943	$2,301,838	$2,252,507	$2,519,995	$3,186,401

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

District Budget and Interim Financial Reporting

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

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

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

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

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

District's Budget and Interim Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports, except for the 2017-18 first interim report, which received a qualified certification due to a decrease in expected revenues to certain special funds which therefore required contributions from the District's general fund to operate.

District's General Fund. The following table shows the general fund figures for fiscal year 2021-22 (estimated actuals) and 2022-23 (adopted budget).

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2021-22 (Estimated Actuals)
Fiscal Year 2022-23 (Adopted Budget)

Revenues	**Estimated Actuals 2021-22**	**Adopted Budget 2022-23**
Total LCFF Sources	$5,700,208	$6,052,685
Federal Revenues	1,321,011	1,747,908
Other state revenues	1,414,692	789,896
Other local revenues	352,574	253,203
Total Revenues	8,788,485	8,843,692
Expenditures		
Certificated Salaries	2,690,406	2,523,950
Classified Salaries	1,374,417	1,451,720
Employee Benefits	2,382,077	2,465,783
Books and Supplies	759,698	934,106
Services and Other Operating Expenditures	1,169,684	1,245,876
Capital Outlay	400,311	800,000
Other Outgo (excluding transfers of indirect costs)	9,500	--
Other Outgo	(11,583)	(12,007)
Total Expenditures	8,774,509	9,409,427
Excess of Revenues Over/(Under) Expenditures	13,975	(565,734)
Other Financing Sources (Uses)		
Operating transfers in		
Operating transfers out	(108,382)	(183,337)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(108,382)	(183,337)
Net change in fund balance	(94,407)	(749,072)
Fund Balance, July 1	3,186,401	3,091,995
Fund Balance, June 30 (1)	$3,091,995	$2,342,924

(1) Fund balances do not reflect all funds included in the District's general fund in the audited financial statements shown above.

Source: Anderson Valley Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 4% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future.

Under State law, there are certain restrictions on the amounts that can be held in reserve by school districts under certain circumstances. This reserve cap requirement does not apply to small school districts (ADA of fewer than 2,501 students) or school districts funded as Basic Aid school districts. When applicable, the reserve cap requires that a school district's adopted or revised budget not contain a combined assigned or unassigned ending general fund balance of more than 10% of those funds. The applicability of the reserve cap is based on the balance in the State's Public School System Stabilization Account and is triggered in any fiscal in which when the balance is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts. A county superintendent of schools may grant a school district under its jurisdiction an exemption from the requirements for up to two consecutive fiscal years within a three-year period, if the school district provides documentation indicating that extraordinary fiscal circumstances, including, but not limited to, multi-year infrastructure or technology projects, substantiate the need for a combined assigned or unassigned ending general fund balance that is in excess of the reserve cap. The reserve cap has been triggered for fiscal year 2022-23 and, as such, the cap must be taken into account in the budget process for school districts to which it applies, or an exemption must be sought. The District is exempt from the reserve cap as a small school district.

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2016-17 through 2022-23 (budgeted).

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2016-17 through 2022-23 (Budgeted)

Fiscal Year	ADA	LCFF Funding Per ADA
2016-17	474	$11,524
2017-18	452	12,182
2018-19	448	12,319
2019-20	414	13,719
2020-21	414	12,827
2021-22(1)	419	13,604
2022-23(1)	411	14,727

(1) Estimated Actual/Budgeted.
Source: The District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 81% for purposes of calculating supplemental and concentration grant funding under LCFF.

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

Revenue Sources

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

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

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

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

Under LCFF, a school district whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." For school districts that were Basic Aid prior to implementation of the LCFF, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement, provided that the per-pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues. The threshold for Community Supported status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. The District is not a Community Supported District. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

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

Other State Revenues. Other State Revenues consist primarily of apportionments for mandated costs reimbursements, special education master plan, and State lottery apportionments.

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

District Retirement Systems

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

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. The plan is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. The benefit provisions and contribution amounts are established by State laws, as amended from time to time.

Prior to fiscal year 2014-15, contribution rates were constant and not subject to annual variations. K-14 school districts were required by statute to contribute 8.25% of eligible salary expenditures, and participants contributed 8% of their respective salaries. In September 2013, however, STRS projected that the plan would be depleted in 31 years if existing contribution rates continued and other actuarial assumptions were realized, largely due to significant investment losses.

Assembly Bill 1469 was adopted as part of the State's fiscal year 2014-15 budget (**"AB 1469"**), aimed at fully funding the unfunded actuarial obligation of STRS with respect to service credited to member of STRS prior to July 1, 2014 (the **"2014 Liability"**), within 32 years, by increasing contribution rates of members, K-14 school district employers, and the State. Under AB 1469, employer contributions were steadily increased over seven years, pursuant to the following schedule:

STRS EMPLOYER CONTRIBUTION RATES
PURSUANT TO AB 1469

Effective Date	Employer Contribution Rate
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.45
July 1, 2018	16.28
July 1, 2019	18.13**
July 1, 2020*	19.10**

*Rate to continue in subsequent years unless modified by the STRS Board.
**Subsequently reduced in connection with State budget acts and related legislation. See following paragraph.
Source: AB 1469.

Under AB 1469, the rate of 19.10% in effect as of July 1, 2020 was to continue unless modified by the STRS Board. However, the State legislature subsequently modified employer contribution rates in certain years as part of trailer bills adopted in connection with State budgets. Senate Bill 90 (**"SB 90")** was enacted in connection with the fiscal year 2019-20 State budget, appropriating $2.25 billion to pay in advance part of the employer contributions for fiscal years 2019-20 and 2020-21. The effect was that the employer contribution rate effective July 1, 2019 was 17.10% and effective July 1, 2020 was18.4%. However, in part in response to expected financial strain caused by the COVID-19 pandemic, the State's 2020-21 budget redirected additional funds to reducing employer contribution rates, resulting in a rate of 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22.

The employer contribution rate will be 19.10% in fiscal year 2022-23 pursuant to AB 1469. The State also continues to contribute to STRS, and its contribution rate in fiscal year 2022-23 is 8.338%.

The District's recent contributions to STRS including the current budgeted fiscal year are set forth in the following table. These contributions represent 100% of the required contribution for each year.

STRS CONTRIBUTIONS
ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Years 2017-18 through 2022-23

Fiscal Year	Amount
2017-18	$345,209
2018-19	353,313
2019-20	341,840
2020-21	327,127
2021-22*	594,866
2022-23*	619,408

*Estimated Actual/Budgeted.
Source: Anderson Valley Unified School District.

The STRS defined benefit program continues to have an unfunded actuarial liability estimated at approximately $89.7 billion as of June 30, 2021, which is the date of the last actuarial valuation.

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

Like the STRS program, PERS has experienced an unfunded liability in recent years. To address this issue, the PERS board has taken a number of actions, including changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates and adopting changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy incrementally lowering its discount rate (its assumed rate of investment return) in years of good investment returns, to help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. SB 90, and Assembly Bill 84/Senate Bill 111 (**"AB 84"**) of June 2020, directed contributions of $430 million and $330 million in satisfaction of portions of employer contribution rates in fiscal years 2020-21 and 2021-22, respectively. Recent employer contribution rates are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate[(1)]
2019-20	19.721%
2020-21	20.700
2021-22	22.910
2022-23	25.370

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

The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
PERS EMPLOYER CONTRIBUTIONS
Fiscal Years 2017-18 through 2022-23

Fiscal Year	Amount
2017-18	$223,269
2018-19	272,814
2019-20	329,398
2020-21	330,418
2021-22*	357,537
2022-23*	442,949

*Estimated Actual/Budgeted.
Source: Anderson Valley Unified School District.

PERS continues to have an unfunded liability which, on a market value of assets basis, was approximately $24.0 billion as of June 30, 2021, which is the date of the last actuarial valuation.

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

36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

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

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

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

Additional Information - STRS and PERS. Additional information regarding the District's retirement programs is available in Note 8 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811.

More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriters for accuracy or completeness.*

No Other Post-Employment Retirement Benefits

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

Insurance – Joint Powers Agreement

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During the fiscal year ending June 30, 2021, the District participated in several joint powers agreements ("**JPAs**") to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years. The various JPAs and the services they provide the District are as follows:

The Schools Insurance Group Northern Alliance ("**SIGNAL**" and "**SIGNAL II**"), the Schools Excess Liability Fund ("**SELF**"), and the Mendocino Stay Well Joint Powers Authority ("**MSJPA**"). SIGNAL provides workers' compensation, SIGNAL II provides property and liability insurance, SELF provides for self-funding and risk management, and MSJPA provides self-insurance for medical claims to member districts.

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by boards consisting of representatives from the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA.

For more information regarding the District's JPAs, see Note 9 of Appendix B to the Official Statement.

Disclaimer Regarding Cyber Risks

The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of ad valorem property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

Existing Debt Obligations

General Obligation Bonds. The District has voter-approved general obligation bonds which have been issued pursuant to the authority obtained from voters at elections in past years, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District prior to the issuance of the Bonds offered for sale hereunder.

SUMMARY OF OUTSTANDING GENERAL OBLIGATION BONDS [(1)]
Anderson Valley Unified School District

Dated Date	Series	Amount of Original Issue	Final Maturity Date	Outstanding as of August 2, 2022
10/13/2010	GO Bonds, 2010 Election, Series A	$2,200,000.00	8/1/2027	$905,000.00
10/13/2010	GO Bonds, 2010 Election, Series B-1	4,223,484.70	8/1/2032	94,175.35
06/11/2015	GO Bonds, Election of 2010, Series C	1,267,414.10	6/1/2040	1,267,414.10
05/05/2020	2020 General Obligation Refunding Bonds	3,820,000.00	8/1/2035	3,770,000.00
Total		**$11,510,898.80**		**$6,036,589.45**

(1) Does not include the Bonds offered for sale in this Official Statement.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

The information in this section concerning the State's budget or budgets has been compiled from publicly-available information provided by the State or the Legislative Analyst's Office (the ***"LAO"****). Neither the District, the Underwriter nor the County is responsible for the information provided in this section.*

State Funding of Education Generally

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive the majority of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

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

The State Budget Process

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

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

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

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

Resources Relating to State Budgets

Certain information about the State budgeting process and the State budget is available through several State sources. Convenient sources of information include:

- www.treasurer.ca.gov: The California State Treasurer internet home page, under the link to "Bond Finance" and sub-heading "-Public Finance Division", includes links to recent State official statements and various State financial documents which includes information regarding State budgets and finances.

- www.dof.ca.gov: The California Department of Finance's (the **"DOF"**) internet home page, under the link to "California Budget", includes the text of proposed and adopted State Budgets.

- www.lao.ca.gov: The LAO's internet home page includes a link to "-The Budget" which includes analyses and commentary on fiscal outlooks.

The above references to internet websites shown are shown for reference and convenience only. The information contained within the websites may include outdated information and has not been reviewed for accuracy by the District or the Underwriter. Such information is <u>not</u> incorporated herein by reference.

The 2022-23 State Budget

On June 30, 2022, the Governor signed the fiscal year 2022-23 State Budget (the **"2022-23 State Budget"**), a $308 billion spending plan, including $234.4 billion in general fund spending, and a historic $100 billion budget surplus. The 2022-23 State Budget includes significant general fund investments, provides for tax rebates to millions of taxpayers, and provides for a $37.2 billion reserve.

A central component of the 2022-23 State Budget is an over $17 billion broad-based inflation relief package, which includes tax rebates of up to $1,050 based on income level and the size of household. The relief package also includes increased grants for the State's lowest income families and individuals, and additional funding for food banks.

Other highlights of the 2022-23 State Budget include funding to address impacts of climate change and drought, provide for wildfire support, and address electricity rates and accelerate clean energy projects. Total funding of $128.6 billion is provided for K-12 education, reflecting $22,893 per pupil ($16,993 K-12 Proposition 98 guarantee), further details of which are set forth below. The 2022-23 State Budget includes funding aimed at addressing higher education needs, health care including universal access, funding for infrastructure including for transportation, energy innovation and reliability, housing for homeless individuals, and increasing broadband connectivity. Funding in the amount of $14.8 billion is provided for regional transit and rail projects, the continued development of a first-in-the-nation, electrified high-speed rail system in the State and other climate adaptation projects. The 2022-23 State Budget includes an additional $2 billion over two years to accelerate the development of affordable housing, and $3.4 billion over three years to continue the State's efforts to address homelessness by investing in immediate behavioral health housing and treatment, as well as encampment cleanup grants. Funding is provided to address COVID-19 health issues including testing and vaccinations, and funding for local law enforcement and highway patrols aimed at increasing public safety. The 2022-23 State Budget is projected to be balanced in fiscal year 2025-26, the last year in the multi-year forecast.

With respect to K-12 education, the 2022-23 State Budget provides total funding of $128.6 billion ($78.6 billion general fund and $50 billion other funds) for all K-12 education programs. The 2022-23 State Budget reflects a Proposition 98 funding level of $110.4 billion in 2022-23, representing a three-year increase in the minimum Proposition 98 guarantee of $35.8 billion over the level funded in the fiscal year 2020-21 State budget. A payment of approximately $2.2 billion is provided for the Public School System Stabilization Account, for a balance of more than $9.5 billion at the end of fiscal year 2022-23.

Under State law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Stabilization Account is equal to or greater than 3 percent of the total K-12 share of the Proposition 98 guaranteed funding. The balance of $7.1 billion in fiscal year 2021-22 has triggered the school district reserve cap beginning in fiscal year 2022-23.

The 2022-23 State Budget includes an LCFF cost-of-living adjustment of 6.56 percent, the largest in the history of LCFF. Additionally, to help school districts and charter schools address ongoing fiscal pressures, staffing shortages, and other operational needs, the 2022-23 State Budget includes $4.32 billion ongoing Proposition 98 general fund to increase LCFF base funding by an additional 6.28 percent.

To support fiscal stability and to address declining enrollment, the 2022-23 State Budget allows school districts to use the greater of the current year or prior year average daily attendance or an average of the three prior years' average daily attendance to calculate LCFF funding. Further, to minimize reductions in LCFF funding that would otherwise occur due to increased absences in fiscal year 2021-22, the 2022-23 State Budget enables all classroom-based local educational agencies that can demonstrate they provided independent study offerings to students in fiscal year 2021-22 to be funded at the greater of their current year average daily attendance or their current year enrollment adjusted for pre-COVID-19 absence rates in fiscal year 2021-22.

Other highlights of the 2022-23 State Budget relating to K-12 education include:

Establishes the Learning Recovery Emergency Fund: $7.9 billion one-time Proposition 98 general fund to support the Learning Recovery Emergency Block Grant which will support local educational agencies in establishing learning recovery initiatives through the fiscal year 2027–28 school year. Funds can be used to increase instructional time, close learning gaps such as tutoring or small group learning, support students with health, counseling or mental health services, create additional access to instructions to support graduations and increase college eligibility, and provide additional academic services to students.

Block Grant for Arts, Music and Other Programs: Establishes the Arts, Music and Instructional Materials Block Grant, funded at $3.6 billion for a variety of purposes.

Supporting Community Schools: $1.1 billion in one-time Proposition 98 funding supporting access to the community schools grant.

Support for Educator Workforce: $48.1 million general fund for educator workforce purposes.

Funding for Residency Programs: $250 million one-time Proposition 98 general fund to expand residency slots for teachers and school counselors.

Funding for STEM Purposes: $85 million one-time Proposition 98 general fund to create Pre-K through 12 grade educator resources and professional learning to implement the Next Generation Science Standards, the California Math Framework, the California Computer Science Standards, and the math and science domains of the California Preschool Learning Foundations.

Support for State Preschools: $312.7 million Proposition 98 general fund and $172.3 million general fund to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health and adds an adjustment factor for three-year-olds. Funding is also provided for inclusive early education, waiver of certain costs for children in the State Preschool Program, and in fiscal year 2022-23 reimbursing preschool providers for certain hours of authorized care.

Support for Transitional Kindergarten: $614 million ongoing Proposition 98 general fund to, beginning in the 2022-23 school year, to support the first year of expanded eligibility for transitional kindergarten. Additionally, the 2022-23 State Budget provides $383 million Proposition 98 general fund to add one additional certificated or classified staff person to every transitional kindergarten class, reducing student-to-adult ratios to more closely align with the State Preschool Program.

Expanded Learning Opportunities Program: $1 billion ongoing and $753 million one-time Proposition 98 general fund in the first year of a multi-year investment plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Local educational agencies with the highest concentrations of these students will be required to offer expanded learning opportunities to all elementary students. The 2022-23 State Budget continues to assume that full fiscal implementation of the program will take place by 2025-26.

Early Literacy: Includes $250 million one-time Proposition 98 general fund, available over five years, for grants to high-needs schools to train and hire literacy coaches and reading specialists to guide productive classroom instruction and to offer one-on-one and small group intervention for struggling readers.

Community Engagement Initiative: First funded in 2018, an additional $100 million one-time Proposition 98 general fund to expand the reach of the program to hundreds of additional local educational agencies.

Special Education: $500 million ongoing Proposition 98 general fund for the special education funding formula, paired with several policy changes to further the State's commitment to improving special education instruction and services.

College and Career Pathways: Includes $500 million one-time Proposition 98 general fund over seven years to support the development of pathway programs focused on technology, health care, education, and climate-related fields, and

$200 million one-time Proposition 98 general fund, available over five years, to strengthen and expand student access and participation in dual enrollment opportunities.

Home-To-School Transportation: $637 million ongoing Proposition 98 general fund to reimburse local educational agencies for up to 60 percent of their transportation costs in the prior year. Additionally, commencing in 2023-24, the 2022-23 State Budget reflects the application of an ongoing cost-of-living adjustment to the current LCFF Home-to-School transportation add-on. In addition, $1.5 billion one-time Proposition 98 general fund, available over five years, to support greening school bus fleets through programs that will be operated by the California Air Resources Board and the California Energy Commission.

Nutrition: $596 million Proposition 98 general fund to fund universal access to subsidized school meals, an additional $611.8 million to augment the state meal reimbursement rate sufficient to maintain meal reimbursement rates beginning in 2022-23, and $600 million one-time, available over three years, for school kitchen infrastructure upgrades and equipment, food service employee training, and compensation for work related to serving universal meals using more fresh, minimally processed foods.

Farm to School Program: $30 million one-time general fund to establish additional farm to school demonstration projects with priority towards high-need schools, and $3 million ongoing general fund to expand the regional California Farm to School Network.

K-12 Facilities: The 2022-23 State Budget allocates the remaining Proposition 51 bond funds to support school construction projects, and provides $100 million one-time general fund with fiscal year 2021-22 funds and $550 million in fiscal year 2023-24 to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. This program's grant funds may be used to construct new school facilities or retrofit existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms.

For the full text of the 2022-23 State Budget, see the DOF website at www.dof.ca.gov. *The reference to this Internet website is shown for reference and convenience only and the information contained on such website is not incorporated by reference into this Official Statement. The information contained on this website may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Disclaimer Regarding State Budgets

The execution of State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2022-23 State Budget or subsequent State budgets, or future changes (if any) in the budget due to shifts in the economy or other factors, will have on its own finances and operations. However, the Bonds described herein are secured by *ad valorem* property taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the Owners of the Bonds to provide State Budget information to the District or the owners of the Bonds. Although the sources of information provided herein are known to be reliable, neither the District nor the Underwriter assume any responsibility for the accuracy of the budget information set forth or referred to in this Official Statement or incorporated herein.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory provisions relating to education funding in the State has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto, and how such events could impact the District and its finances.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC 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 XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

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

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

Proposition 30 and Proposition 55

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

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

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

California Senate Bill 222

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

Future Initiatives

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

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APPENDIX B

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020-21

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ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

MENDOCINO COUNTY

AUDIT REPORT

For the Fiscal Year Ended June 30, 2020

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2020
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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Anderson Valley Unified School District
Boonville, 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 Anderson Valley Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, 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 59 to 62 and the schedule of expenditures of federal awards on page 63 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 58 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 January 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro + Nigro, PC.

Murrieta, California
January 4, 2021

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

FINANCIAL HIGHLIGHTS

- The District's total net position decreased to $(254,065) over the course of the year.
- Overall revenues were $8.5 million, $0.3 million less than expenses.
- The total cost of basic programs was $8.8 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just $6.9 million.
- District average daily attendance (ADA) in grades K-12 decreased by 34, or 7.5%.
- Governmental funds increased by $299,838, or 7.2%.
- Reserves for the General Fund increased by $0.4 million, or 19.1%. Revenues were $7.6 million and expenditures and transfers out were $7.3 million.

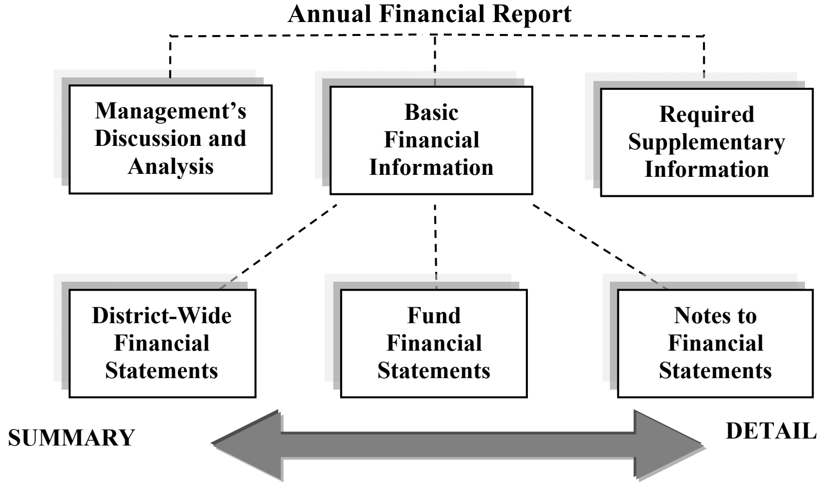
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1. Organization of Anderson Valley Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

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

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

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

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

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

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

The District has three kinds of funds:

- ***Governmental funds*** – All 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.

- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for health, dental, and vision insurance.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- ***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, 2020, than it was the year before – decreasing by $273,552 to $(254,065) (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities 2020	Governmental Activities 2019	Variance Increase (Decrease)
Assets			
Current assets	$ 5,023,311	$ 4,826,738	$ 196,573
Capital assets	9,139,438	9,349,297	(209,859)
Total assets	14,162,749	14,176,035	(13,286)
Deferred outflows of resources	2,071,582	1,866,515	205,067
Liabilities			
Current liabilities	338,787	504,272	(165,485)
Long-term liabilities	7,609,615	7,485,661	123,954
Net pension liability	6,799,250	7,504,864	(705,614)
Total liabilities	14,747,652	15,494,797	(747,145)
Deferred inflows of resources	1,740,744	528,266	1,212,478
Net position			
Net investment in capital assets	2,419,651	2,541,567	(121,916)
Restricted	2,041,639	2,027,119	14,520
Unrestricted	(4,715,355)	(4,549,199)	(166,156)
Total net position	$ (254,065)	$ 19,487	$ (273,552)

Changes in net position, governmental activities. The District's total revenues decreased 6.0% to $8.5 million (See Table A-2). The decrease is due primarily to lower operating grants received in the current year.

The total cost of all programs and services decreased 6.4% to $8.8 million. The District's expenses are predominantly related to educating and caring for students, 79.6%. The purely administrative activities of the District accounted for just 7.9% of total costs. A significant contributor to the decrease in costs was a decrease in staffing levels together with spending reductions on administrative and general operating functions.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities 2020	Governmental Activities 2019	Variance Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 405,514	$ 286,258	$ 119,256
Operating grants and contributions	1,448,312	2,010,922	(562,610)
General Revenues:			
Property taxes	3,011,148	2,989,220	21,928
Federal and state aid not restricted	3,172,285	3,078,409	93,876
Other general revenues	457,942	672,289	(214,347)
Total Revenues	8,495,201	9,037,098	(541,897)
Expenses			
Instruction-related	5,984,783	6,207,912	(223,129)
Pupil services	998,779	969,412	29,367
Administration	693,367	817,640	(124,273)
Plant services	649,510	790,564	(141,054)
All other activities	442,314	580,570	(138,256)
Total Expenses	8,768,753	9,366,098	(597,345)
Increase (decrease) in net position	$ (273,552)	$ (329,000)	$ 55,448
Total net position	$ (254,065)	$ 19,487	

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 $4.5 million, which is above last year's ending fund balance of $4.2 million. The primary cause of the increased fund balance is a decrease in spending from the General Fund. The District finished spending funds from several one-time grants in the prior year. This, coupled with COVID-19 related closures, led to an overall decrease in expenditures.

Table A-3: The District's Fund Balances

	Fund Balances				
	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
Fund					
General Fund	$ 2,252,507	$ 7,592,841	$ 7,147,042	$ (178,311)	$ 2,519,995
Adult Education Fund	154,199	150,389	152,160	-	152,428
Child Development Fund	31	161,711	177,066	15,324	-
Cafeteria Fund	9,852	370,751	444,251	87,987	24,339
Deferred Maintenance Fund	308,164	15,485	97,099	75,000	301,550
Building Fund	212,701	3,375	1,090	-	214,986
Capital Facilities Fund	150,203	18,343	2,975	-	165,571
County Facilities Fund	770,988	12,033	-	-	783,021
Bond Interest and Redemption Fund	308,907	391,861	546,530	151,262	305,500
	$ 4,167,552	$ 8,716,789	$ 8,568,213	$ 151,262	$ 4,467,390

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

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

- Revenues – increased by $0.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased $21,165 due to updated staffing projections.
- Books and supplies and other services – increased $12,287, to budget carryover funds.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $0.3 million, the actual results for the year show that revenues exceeded expenditures by roughly $0.4 million. Actual revenues were $16,922 more than anticipated, and expenditures were $121,448 less than budgeted.

The amount of budgeted but unspent expenditures consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested approximately $0.3 million in new capital assets, related to ongoing modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year approximated $0.5 million.

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

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
Land	$ 69,300	$ 69,300	$ -
Improvement of sites	23,822	25,146	(1,324)
Buildings	8,072,456	8,400,294	(327,838)
Equipment	676,827	557,524	119,303
Construction in progress	297,033	297,033	-
Total	$ 9,139,438	$ 9,349,297	$ (209,859)

Long-Term Debt

At June 30, 2020 the District had $7.6 million in long-term debt other than pensions – an increase of 1.7% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities 2020	Governmental Activities 2019	Variance Increase (Decrease)
General obligation bonds	$ 7,476,909	$ 7,485,661	$ (8,752)
Early retirement incentive	132,706	-	132,706
	$ 7,609,615	$ 7,485,661	$ 123,954

Net pension liability decreased during the year by $0.7 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Proposition 98

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

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

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

K-12 Education

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

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

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

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

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

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

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

All of these factors were considered in preparing Anderson Valley Unified School District's budget for the 2020-21 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District office at PO Box 457, Boonville, CA 95415, (707) 895-3774.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 4,391,636
Accounts receivable	629,546
Prepaid expenses	2,129
Non-depreciable assets	366,333
Depreciable assets	15,267,277
Less accumulated depreciation	(6,494,172)
Total assets	14,162,749
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	1,980,846
Deferred amounts on refunding	90,736
Total deferred outflows of resources	2,071,582
LIABILITIES	
Accounts payable	338,787
Long-term liabilities other than pensions:	
Due or payable within one year	286,379
Due or payable after one year	7,323,236
Net pension liability	6,799,250
Total liabilities	14,747,652
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	1,740,744
NET POSITION	
Net investment in capital assets	2,419,651
Restricted for:	
Capital projects	948,592
Debt service	305,500
Categorical programs	444,796
Self-insurance	342,751
Unrestricted	(4,715,355)
Total net position	$ (254,065)

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:				
Instructional Services:				
Instruction	$ 5,073,460	$ 296,890	$ 875,383	$ (3,901,187)
Instruction-Related Services:				
Supervision of instruction	14,851	-	15,852	1,001
Instructional library, media and technology	193,876	106	19,362	(174,408)
School site administration	702,596	57,215	31,012	(614,369)
Pupil Support Services:				
Home-to-school transportation	293,569	-	4,298	(289,271)
Food services	462,017	3,006	349,155	(109,856)
All other pupil services	243,193	10,943	66,734	(165,516)
General Administration Services:				
Data processing services	35,491	-	-	(35,491)
Other general administration	657,876	14,491	29,076	(614,309)
Plant services	649,510	6,224	8,350	(634,936)
Ancillary services	38,243	-	153	(38,090)
Community services	90,833	17,402	47,868	(25,563)
Enterprise activities	50	-	-	(50)
Interest on long-term debt	300,283	-	-	(300,283)
Other outgo	12,905	(763)	1,069	(12,599)
Total Governmental Activities	$ 8,768,753	$ 405,514	$ 1,448,312	(6,914,927)

General Revenues:	
Property taxes	3,011,148
Federal and state aid not restricted to specific purpose	3,172,285
Interest and investment earnings	54,321
Interagency revenues	160,633
Miscellaneous	242,988
Total general revenues	6,641,375
Change in net position	(273,552)
Net position - July 1, 2019	19,487
Net position - June 30, 2020	$ (254,065)

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 2,114,962	$ 783,021	$ 1,131,181	$ 4,029,164
Accounts receivable	584,471	-	45,075	629,546
Due from other funds	24,168	-	19	24,187
Prepaid expenditures	2,129	-	-	2,129
Total Assets	$ 2,725,730	$ 783,021	$ 1,176,275	$ 4,685,026
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 205,716	$ -	$ 7,454	$ 213,170
Due to other funds	19	-	4,447	4,466
Total Liabilities	205,735	-	11,901	217,636
Fund Balances				
Nonspendable	7,129	-	-	7,129
Restricted	302,458	783,021	828,395	1,913,874
Committed	-	-	301,550	301,550
Assigned	-	-	34,429	34,429
Unassigned	2,210,408	-	-	2,210,408
Total Fund Balances	2,519,995	783,021	1,164,374	4,467,390
Total Liabilities and Fund Balances	$ 2,725,730	$ 783,021	$ 1,176,275	$ 4,685,026

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds		$	4,467,390
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	15,633,610		
Accumulated depreciation	(6,494,172)		
Net:			9,139,438
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:			90,736
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:			(125,617)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
General obligation bonds payable	(7,476,909)		
Early Retirement Incentive	(132,706)		
Net:			(7,609,615)
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.			(6,799,250)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
Deferred outflows relating to pensions	1,980,846		
Deferred inflows relating to pensions	(1,740,744)		
Net:			240,102
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal services funds are reported with governmental activities in the statement of net position. Net position for internal services funds was:			342,751
Total net position - governmental activities		$	(254,065)

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 5,679,578	$ -	$ -	$ 5,679,578
Federal sources	446,096	-	322,114	768,210
Other state sources	569,131	-	36,800	605,931
Other local sources	898,036	12,033	753,001	1,663,070
Total Revenues	7,592,841	12,033	1,111,915	8,716,789
EXPENDITURES				
Current:				
Instruction	4,268,684	-	239,130	4,507,814
Instruction-related services:				
Supervision of instruction	14,851	-	-	14,851
Instructional library, media and technology	174,539	-	-	174,539
School site administration	624,020	-	71,876	695,896
Pupil support services:				
Home-to-school transportation	407,267	-	-	407,267
Food services	13,538	-	437,857	451,395
All other pupil services	233,937	-	-	233,937
Ancillary services	38,706	-	-	38,706
Community services	74,516	-	6,122	80,638
Enterprise activities	50	-	-	50
General administration services:				
Data processing services	35,491	-	-	35,491
Other general administration	665,141	-	2,975	668,116
Plant services	532,609	-	93,994	626,603
Transfers of indirect costs	(6,003)	-	6,003	-
Intergovernmental	12,905	-	-	12,905
Capital outlay	56,791	-	16,684	73,475
Debt service:				
Principal	-	-	144,723	144,723
Interest	-	-	250,545	250,545
Issuance costs	-	-	151,262	151,262
Total Expenditures	7,147,042	-	1,421,171	8,568,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	445,799	12,033	(309,256)	148,576
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	178,311	178,311
Interfund transfers out	(178,311)	-	-	(178,311)
Transfer to escrow agent for defeased debt	-	-	(3,976,309)	(3,976,309)
Proceeds from refunding bonds	-	-	3,820,000	3,820,000
Premiums on refunding bonds	-	-	307,571	307,571
Total Other Financing Sources and Uses	(178,311)	-	329,573	151,262
Net Change in Fund Balances	267,488	12,033	20,317	299,838
Fund Balances, July 1, 2019	2,252,507	770,988	1,144,057	4,167,552
Fund Balances, June 30, 2020	$ 2,519,995	$ 783,021	$ 1,164,374	$ 4,467,390

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds		$	299,838
Amounts reported for governmental *activities* in the statement of activities are different because:			
In governmental funds, the cost of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay	267,179		
Depreciation expense	(477,038)		
Net:			(209,859)
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:			4,039,723
In governmental funds, if debt is issued at a premium or at a 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. Amortization of premium and discount for the period is:			173,506
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:			(4,127,571)
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 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. Deferred amounts on refunding during the year changed by:			90,736
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, is:			(4,503)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activites, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(392,533)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations			(132,706)
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In government-wide statement of activities, however, this is recorded as an interest expense for the period.			(76,906)
The District uses an internal service fund to charge the costs of certain activities to individual funds. The change in net assets of the internal service fund are reported with governmental activities in the statement of activities.			66,723
Total change in net position - governmental activities		$	(273,552)

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	$ 362,472
Total assets	362,472
LIABILITIES	
Due to other funds	19,721
NET POSITION	
Restricted for employee benefits	342,751
Total net position	$ 342,751

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 144,671
Total operating revenues	144,671
OPERATING EXPENSES	
Services and other operating expenses	81,576
Total operating expenses	81,576
OPERATING INCOME	63,095
NON-OPERATING REVENUES	
Interest income	3,628
Change in net position	66,723
Net position, July 1, 2019	276,028
Net position, June 30, 2020	$ 342,751

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2020

		Governmental Activities
		Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from assessments made to other funds	$	157,194
Cash payments for benefits, insurance claims and operating costs		(62,377)
Net cash provided (used) by operating activities		94,817
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		3,628
Net increase (decrease) in cash		98,445
Cash, July 1, 2019		264,027
Cash, June 30, 2020	$	362,472
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	63,095
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Decrease in accounts receivable		12,523
increase in due to other funds		19,199
Net cash provided (used) by operating activities	$	94,817

	Agency Funds Student Body Funds
Assets	
Deposits and investments	$ 46,910
Total Assets	$ 46,910
Liabilities	
Due to student groups	$ 46,910
Total Liabilities	$ 46,910

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District). 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. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

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.

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

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

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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).

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.

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).

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund. The District maintains the following internal service funds:

Dental Insurance Fund: This fund is used to account for the insurance costs of providing employee dental benefits.

Vision Insurance Fund: This fund is used to provide self-insurance for employee vision benefits.

Staywell Foundation Employee Health Benefit Trust Fund: This fund is used to account for an employee side-benefit fund in which the employee may earn a vested interest.

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:

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

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. 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.

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

2. Inventories and Prepaid Items
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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. 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	25-50 years
Improvements of sites	20 years
Equipment	2-20 years

4. 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.

5. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Pensions

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

7. Fund Balances

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

F. Minimum Fund Balance Policy
Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Board of Trustees. Amendments or modification to the committed fund balance must also be approved by formal action of the Board of Trustees. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

The Board of Trustees recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain a minimum fund balance of 4% of the District's general fund annual operating expenditures. If a fund balance drops below 4%, it shall be recovered at a rate of 1% minimally, each year.

The Deferred Maintenance Fund is committed for facility upgrades and maintenance while the Building Fund is restricted to modernization projects as specified in Measure A, passed by voters in June of 2010.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

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

H. Use of Estimates

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

I. New GASB Pronouncement

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

Earlier application is encouraged and is permitted by topic.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	$ 4,029,164
Proprietary funds	362,472
Governmental Activities	4,391,636
Fiduciary funds	46,910
Total deposits and investments	$ 4,438,546

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

Cash on hand and in banks	$ 46,910
Cash in revolving fund	5,000
Investments	4,386,636
Total deposits and investments	$ 4,438,546

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 quarterly 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (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, 2020, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2020, consist of the following:

	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Investments:					
County Pool	$ 4,386,636	$ 4,386,636	$ -	Uncategorized	N/A

Investments - Credit Risk

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

Investments - Concentration of Credit Risk

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

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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 Mendocino 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.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Total
Federal Government:			
Categorical aid programs	$ 32,729	$ 34,812	$ 67,541
State Government:			
LCFF sources	288,561	-	288,561
Lottery	40,569	-	40,569
Categorical aid programs	18,014	2,499	20,513
Local:			
Other local	204,598	7,764	212,362
Total	$ 584,471	$ 45,075	$ 629,546

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consisted of the following:

General Fund due to Child Development Fund for negative interest reimbursement	$	19
Child Development Fund due to General Fund for a temporary loan		4,447
Self insurance Fund due to general fund for benefits reimbursement		19,721
Total	$	24,187

B. Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2020, consisted of the following:

General Fund transfer to Child Development Fund for a program contribution	$	15,324
General Fund transfer to Cafeteria Fund for service contribution		87,987
General Fund transfer to Deferred Maintenance Fund for maintenance contribution		75,000
Total	$	178,311

NOTE 5 – FUND BALANCES

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

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Prepaid expenditures	2,129	-	-	2,129
Total Nonspendable	7,129	-	-	7,129
Restricted:				
Categorical programs	302,458	-	117,999	420,457
Food services	-	-	24,339	24,339
Capital projects	-	783,021	380,557	1,163,578
Debt service	-	-	305,500	305,500
Total Restricted	302,458	783,021	828,395	1,913,874
Committed:				
Deferred maintenance program	-	-	301,550	301,550
Total Committed	-	-	301,550	301,550
Assigned:				
Adult education program	-	-	34,429	34,429
Total Assigned	-	-	34,429	34,429
Unassigned:				
Reserve for economic uncertainties	625,000	-	-	625,000
Remaining unassigned balances	1,585,408	-	-	1,585,408
Total Unassigned	2,210,408	-	-	2,210,408
Total	$ 2,519,995	$ 783,021	$ 1,164,374	$ 4,467,390

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 69,300	$ -	$ -	$ 69,300
Construction in progress	297,033	-	-	297,033
Total capital assets not being depreciated	366,333	-	-	366,333
Capital assets being depreciated:				
Improvement of sites	480,441	-	-	480,441
Buildings	13,522,425	90,407	-	13,612,832
Equipment	997,232	176,772	-	1,174,004
Total capital assets being depreciated	15,000,098	267,179	-	15,267,277
Accumulated depreciation for:				
Improvement of sites	(455,295)	(1,324)	-	(456,619)
Buildings	(5,122,131)	(418,245)	-	(5,540,376)
Equipment	(439,708)	(57,469)	-	(497,177)
Total accumulated depreciation	(6,017,134)	(477,038)	-	(6,494,172)
Total capital assets being depreciated, net	8,982,964	(209,859)	-	8,773,105
Governmental activities capital assets, net	$ 9,349,297	$ (209,859)	$ -	$ 9,139,438

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 433,016
Pupil services:	
Home-to-school transportation	44,022
Total depreciation expense	$ 477,038

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

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

	Balance, July 1, 2019	Additions	Deductions	Advance Redemptions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:						
Principal payments	$ 6,840,524	$ 3,820,000	$ 144,723	$ 3,895,000	$ 6,620,801	$ 250,000
Accreted interest	465,230	112,183	35,277	-	542,136	-
Issuance discount	(2,943)	-	(140)	-	(2,803)	(140)
Issuance premium	182,850	307,571	11,428	162,218	316,775	19,931
Total Bonds	7,485,661	4,239,754	191,288	4,057,218	7,476,909	269,791
Early Retirement Incentive	-	132,706	-	-	132,706	16,588
Total	$ 7,485,661	$ 4,372,460	$ 191,288	$ 4,057,218	$ 7,609,615	$ 286,379

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Payments for early retirement incentives will be made by the General Fund.

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

A. General Obligation Bonds - Measure A

Bonds were authorized at an election of the registered voters of the District held on June 8, 2010, at which more than 55 percent of the voters authorized the issuance and sale of general obligation bonds not to exceed $15,250,000. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest and principal of the bonds. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of the issuance of the bonds.

Following is a summary of bonds issued by the District:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
Series A	10/13/2010	8/1/2027	1.3%-5.6%	$ 2,200,000	$ 1,455,000	$ -	$ 125,000	$ 1,330,000
Series B-1	10/13/2010	8/1/2035	2.0%-6.06%	4,223,485	4,118,110	-	3,914,723	203,387
Series C	6/11/2015	6/1/2040	3.98%-5.22%	1,267,414	1,267,414	-	-	1,267,414
2020 refunding	5/5/2020	8/1/2035	3.00%-4.0%	3,820,000	-	3,820,000	-	3,820,000
				$ 11,510,899	$ 6,840,524	$ 3,820,000	$ 4,039,723	$ 6,620,801
				Accreted Interest:				
				Series B-1	$ 257,844	$ 48,114	$ 35,277	$ 270,681
				Series C	207,386	64,069	-	271,455
					$ 465,230	$ 112,183	$ 35,277	$ 542,136

The District has designated the Series A Bonds as "New Clean Renewable Energy Bonds" under Section 54C of the Tax Code and intends that the Series A Bonds be "Specified Tax Credit Bonds" under Section 6431(f) of the Tax Code which makes the District eligible for the credit payable from the United States Treasury. Such credit payments received by the District are referred to herein as "Refundable Credit Payments." The District has covenanted to deposit the Refundable Credit Payments with the County to be credited to the Debt Service Fund for the Series A Bonds.

On May 5, 2020, the District issued $3,820,000 of 2020 General Obligation Refunding Bonds. The bonds were issued as $985,000 of serial bonds at a fixed interest rate of 4.00%, $1,085,000 of term bonds at a fixed rate of 4.00% and $1,750,000 of term bonds at a fixed rate of 3.00%. The net proceeds, plus an insurance premium of $307,571 less issuance costs of $151,261, were used to advance refund $3,895,000 of the Districts Series B-1 bonds. The net proceeds were deposited with an escrow agent to provide for future debt service payments on the refunded bonds. The savings on the refunding was $531,598 and the net present value of savings was $410,817. As a result, the refunded bonds are considered to be defeased, and the related liability for the certificates has been removed from the District's liabilities.

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

A. General Obligation Bonds - Measure A (continued)

The amounts required to amortize outstanding bonds at June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2020-21	$ 250,000	$ 345,560	$ 595,560
2021-22	162,723	428,606	591,329
2022-23	171,488	427,616	599,104
2023-24	181,374	429,775	611,149
2024-25	290,000	177,088	467,088
2025-30	1,808,878	657,201	2,466,079
2030-35	1,883,654	1,111,271	2,994,925
2035-40	1,872,684	2,245,025	4,117,709
Total	$ 6,620,801	$ 5,822,142	$ 12,442,943

B. Early Retirement Incentive

On June 27, 2019, the District agreed to an early retirement incentive pursuant to Education Code Sections 22714 and 44929, whereby employees who elect to retire by August 30, 2019, are given two years of additional service credit plus two years of age at the time of retirement through a program known as a "STRS Golden Handshake". The District had 3 employees elect to retire under the program.

Postion	Age	Service Credit	Retiree Salary	Retiree Benefits	Replacement Salary	Replacement Benefits	Retirement Cost	Post-Retirement Health Costs
Teacher	62 years 6 months	37.331	$ 152,912	$ 67,636	N/A	N/A	$ 72,771	$ -
Teacher	66 years 9 months	25.120	$ 104,946	$ 56,735	N/A	N/A	$ 45,278	$ -
Teacher	57 years 5 months	34.000	$ 150,064	$ 66,989	$ 89,434	$ 52,851	$ 60,525	$ -

Total future payments owing at June 30, 2020 for these obligations are shown below.

Fiscal Year	Principal	Interest	Total
2020-21	$ 27,554	$ 15,710	$ 43,264
2021-22	16,588	7,886	24,474
2022-23	16,588	6,642	23,230
2023-24	16,588	5,398	21,986
2024-25	16,588	4,154	20,742
2025-30	38,800	4,998	43,798
Total	$ 132,706	$ 44,788	$ 177,494

NOTE 8 – PENSION PLANS

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 3,622,246	$ 1,167,053	$ 1,168,183	$ 453,524
CalPERS	3,177,004	813,793	572,561	664,315
Total	$ 6,799,250	$ 1,980,846	$ 1,740,744	$ 1,117,839

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

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

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

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

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

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided (continued)
The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

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

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

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $341,840.

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

District's proportionate share of net pension liability	$	3,622,246
State's proportionate share of the net pension liability associated with the District		1,976,177
Total	$	5,598,423

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, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.004011%	0.004488%	-0.000477%

For the year ended June 30, 2020, the District recognized pension expense of $453,524. In addition, the District recognized pension expense and revenue of $54,067 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 341,840	$ -
Net change in proportionate share of net pension liability	349,591	918,240
Difference between projected and actual earnings on pension plan investments	8,342	147,872
Changes of assumptions	458,135	-
Differences between expected and actual experience	9,145	102,071
Total	$ 1,167,053	$ 1,168,183

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.

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 of Resources	Deferred Inflows of Resources
2021	$ 185,946	$ 217,773
2022	185,946	314,630
2023	185,946	219,096
2024	194,408	189,257
2025	71,442	86,039
Thereafter	1,525	141,388
Total	$ 825,213	$ 1,168,183

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

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

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

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

NOTE 8 – PENSION PLANS (continued)

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

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

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 5,393,825
Current discount rate (7.10%)	3,622,246
1% increase (8.10%)	2,153,271

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is $275,658.

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, 2018 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

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

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

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

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were $329,398.

NOTE 8 – PENSION PLANS (continued)

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

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $3,177,004. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.010901%	0.012678%	-0.001777%

For the year ended June 30, 2020, the District recognized pension expense of $664,315. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 329,398	$ -
Net change in proportionate share of net pension liability	64,943	505,655
Difference between projected and actual earnings on pension plan investments	37,439	66,906
Changes of assumptions	151,235	-
Differences between expected and actual experience	230,778	-
Total	$ 813,793	$ 572,561

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

NOTE 8 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 328,838	$ 152,547
2022	103,124	210,649
2023	40,363	104,310
2024	12,070	95,505
2025	-	9,550
Thereafter	-	-
Total	$ 484,395	$ 572,561

Actuarial Methods and Assumptions

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

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

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

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

NOTE 8 – PENSION PLANS (continued)

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

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

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 4,579,442
Current discount rate (7.15%)	3,177,004
1% increase (8.15%)	2,013,584

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

D. Payables to the Pension Plans
At June 30, 2020, the District reported payables of $1,290 and $694 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

NOTE 9 – JOINT POWERS AGREEMENTS

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During the fiscal year ending June 30, 2020, the District participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years. The various JPAs and the services they provide the District are as follows:

The Schools Insurance Group Northern Alliance (SIGNAL and SIGNAL II), the Schools Excess Liability Fund (SELF), and the Mendocino Stay Well Joint Powers Authority (MSJPA). SIGNAL provides workers' compensation, SIGNAL II provides property and liability insurance, SELF provides for self-funding and risk management, and MSJPA provides self-insurance for medical claims to member districts.

The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The JPAs are governed by boards consisting of representatives from the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA.

	SIGNAL I June 30, 2019 Audited	SIGNAL II June 30, 2019 Audited	SELF June 30, 2019 Audited
Total Assets & Deferred Outflows	$ 6,753,586	$ 825,160	$ 121,746,875
Total Liabilities & Deferred Inflows	756,803	199,397	101,882,603
Net Position	$ 5,996,783	$ 625,763	$ 19,864,272
Total Operating Revenues	$ 6,266,995	$ 731,314	$ 21,096,568
Total Operating Expenses	5,576,656	714,700	23,968,407
Operating Income (Loss)	690,339	16,614	(2,871,839)
Total Non-Operating Revenues	89,232	22,268	4,638,798
Change in Net Position	$ 779,571	$ 38,882	$ 1,766,959

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Construction Commitments

As of June 30, 2020, the District had no outstanding construction commitments.

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, 2020.

D. Impact of COVID-19

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

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

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

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Required Supplementary Information

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ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 5,642,506	$ 5,669,893	$ 5,679,578	$ 9,685
Federal Sources	477,391	496,584	446,096	(50,488)
Other State Sources	489,056	509,161	569,131	59,970
Other Local Sources	661,685	900,281	898,036	(2,245)
Total Revenues	7,270,638	7,575,919	7,592,841	16,922
Expenditures				
Current:				
Certificated Salaries	2,410,432	2,413,842	2,407,649	6,193
Classified Salaries	1,333,586	1,285,322	1,277,425	7,897
Employee Benefits	2,159,700	2,183,389	2,193,263	(9,874)
Books and Supplies	263,852	306,440	222,096	84,344
Services and Other Operating Expenditures	902,276	847,401	806,144	41,257
Transfers of Indirect Costs	(6,203)	(6,203)	(6,003)	(200)
Capital Outlay	-	238,299	233,563	4,736
Intergovernmental Transfers	-	-	12,905	(12,905)
Total Expenditures	7,063,643	7,268,490	7,147,042	121,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,995	307,429	445,799	138,370
Other Financing Sources and Uses				
Interfund Transfers Out	(208,173)	(268,926)	(178,311)	90,615
Net Change in Fund Balance	(1,178)	38,503	267,488	228,985
Fund Balances, July 1, 2019	1,802,807	2,252,507	2,252,507	-
Fund Balances, June 30, 2020	$ 1,801,629	$ 2,291,010	$ 2,519,995	$ 228,985

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS						
District's proportion of the net pension liability	0.0040%	0.0045%	0.0046%	0.0040%	0.0050%	0.0050%
District's proportionate share of the net pension liability	$ 3,622,246	$ 4,124,494	$ 4,291,452	$ 3,235,240	$ 3,366,200	$ 2,921,850
State's proportionate share of the net pension liability associated with the District	1,976,177	2,361,466	2,538,787	1,842,036	1,780,344	1,764,357
Totals	$ 5,598,424	$ 6,485,960	$ 6,830,239	$ 5,077,276	$ 5,146,544	$ 4,686,207
District's covered-employee payroll	$ 2,170,227	$ 2,392,301	$ 2,518,514	$ 2,145,415	$ 2,234,482	$ 2,221,830
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.91%	172.41%	170.40%	150.80%	150.65%	131.51%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.0109%	0.0127%	0.0126%	0.0140%	0.0129%	0.0140%
District's proportionate share of the net pension liability	$ 3,177,004	$ 3,380,370	$ 3,010,632	$ 2,765,009	$ 1,901,473	$ 1,589,341
District's covered-employee payroll	$ 1,510,431	$ 1,676,318	$ 1,607,640	$ 1,680,687	$ 1,429,598	$ 1,485,780
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.34%	201.65%	187.27%	164.52%	133.01%	106.97%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

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

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2020

Last Ten Fiscal Years*

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS						
Contractually required contribution	$ 341,840	$ 353,313	$ 345,209	$ 316,829	$ 230,203	$ 198,422
Contributions in relation to the contractually required contribution	341,840	353,313	345,209	316,829	230,203	198,422
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,999,067	$ 2,170,228	$ 2,392,303	$ 2,518,514	$ 2,145,415	$ 2,234,482
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 329,398	$ 272,814	$ 260,349	$ 223,269	$ 199,111	$ 168,278
Contributions in relation to the contractually required contribution	329,398	272,814	260,349	223,269	199,111	168,278
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,670,291	$ 1,510,433	$ 1,676,318	$ 1,607,640	$ 1,680,687	$ 1,429,598
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Change of assumptions* -** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2020

Anderson Valley Unified School District was established on July 1, 1963 and is located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District currently operates one elementary school, and one intermediate/high school. The District also maintains a continuation high school, an adult education school and an independent study program along with a state-funded preschool.

GOVERNING BOARD

Member	Office	Term Expires
Richard Browning	President	November, 2024
Saiorse Byrne	Clerk	November, 2024
Erika Gatlin	Member	November, 2022
Justin Rhoades	Member	November, 2024
Kristen San Miguel	Member	November, 2022

DISTRICT ADMINISTRATORS

Michael Warych,
Interim Superintendent

Leigh Kreienhop,
Business Manager

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Second Period Report	Annual Report
	Certificate No. 5BB95D02	Certificate No. 9394A8A1
Regular ADA & Extended Year:		
Grades TK/K-3	114.16	114.16
Grades 4-6	103.75	103.75
Grades 7-8	74.94	74.94
Grades 9-12	121.34	121.34
Total Regular ADA	414.19	414.19

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

Grade Level	Required Minutes	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	39,480	180	Complied
Grade 1	50,400	55,260	180	Complied
Grade 2	50,400	54,600	180	Complied
Grade 3	50,400	54,600	180	Complied
Grade 4	54,000	54,660	180	Complied
Grade 5	54,000	54,660	180	Complied
Grade 6	54,000	54,780	180	Complied
Grade 7	54,000	64,925	180	Complied
Grade 8	54,000	64,925	180	Complied
Grade 9	64,800	65,840	180	Complied
Grade 10	64,800	65,840	180	Complied
Grade 11	64,800	65,840	180	Complied
Grade 12	64,800	65,840	180	Complied

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2020

General Fund	(Budget)[2] 2021	2020	2019	2018
Revenues and other financing sources	$ 7,622,957	$ 7,592,841	$ 8,203,447	$ 7,473,610
Expenditures	7,390,613	7,147,042	7,951,077	7,904,194
Other uses and transfers out	66,399	178,311	301,701	127,521
Total Outgo	7,457,012	7,325,353	8,252,778	8,031,715
Change in fund balance (deficit)	165,945	267,488	(49,331)	(558,105)
Ending fund balance	$ 2,685,940	$ 2,519,995	$ 2,252,507	$ 2,301,838
Available Reserves [1]	$ 2,300,872	$ 2,210,408	$ 1,856,437	$ 1,595,922
Available Reserves as a percentage of Total Outgo	30.9%	30.2%	22.5%	19.9%
Total Long-Term Debt	$ 14,240,464	$ 14,408,865	$ 14,990,525	$ 14,854,854
Average Daily Attendance at P-2	N/A	414	448	452

The General Fund balance has increased by $218,157 over the past two years. The fiscal year 2020-21 adopted budget projects an increase of $165,945. For a district of this size, the state recommends available reserves of at least the greater of $65,000 or 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, but the District anticipates incurring an operating surplus during the 2020-21 fiscal year. Total long-term debt has decreased by $445,989 over the past two years.

Average daily attendance has decreased by 38 over the past two years. No ADA will be reported for the fiscal year 2020-21.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] As of September, 2020.

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2020

	General Fund	Self-Insurance Fund
June 30, 2020, annual financial and budget report fund balance	$ 2,500,274	$ 362,472
Adjustments and reclassifications:		
Increase (decrease) in total fund balance:		
Revenue recorded in the incorrect fund	19,721	(19,721)
June 30, 2020, reported financial statement fund balance	$ 2,519,995	$ 342,751

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

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	$ 45,936	
National School Lunch Program	10.555	13523	122,033	
Summer Feeding Option	10.555	13523	58,822	
USDA Donated Foods	10.555	13391	24,837	
Total Child Nutrition Cluster				$ 251,628
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13666	62,076	
CACFP in Lieu of Commodities	10.558	13389	4,323	
Total Child and Adult Food Program Cluster				66,399
Equipment Assistance Grant	10.579	14906		4,087
Total U.S. Department of Agriculture				322,114
U.S. Department of Education:				
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		135,741
Title I, Part C, Migrant Ed (Regular and Summer Program)	84.011	14326		32,484
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341		20,780
English Language Acquisition Grants Cluster:				
Title III, English Learner Student Program	84.365	14346	21,654	
Title III, Immigrant Education Program	84.365	15146	3,013	
Total English Language Acquisition Grants Cluster				24,667
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		62,770
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		6,971
Title V, Part B, Rural & Low Income School Program	84.358	14356		71,689
Passed through Mendocino County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	88,349	
Preschool Grants, Part B, Section 619	84.173	13430	2,645	
Total Special Education Cluster				90,994
Total U.S. Department of Education				446,096
Total Expenditures of Federal Awards				$ 768,210

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*. The instructional time presented in this schedule includes the days that the District was closed due to the COVID-19 pandemic as well as four emergency closure days in October 2019, for which the District received an approved waiver.

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.

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Other Independent Auditors' Reports

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Anderson Valley Unified School District
Boonville, 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 Anderson Valley Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Anderson Valley Unified School District's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered Anderson Valley Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anderson Valley Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anderson Valley Unified 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 Anderson Valley Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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Purpose of this Report

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

Nigro + Nigro, PC.

Murrieta, California
January 4, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Anderson Valley Unified School District
Boonville, California

Report on Compliance for Each Major Federal Program
We have audited Anderson Valley Unified 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 Anderson Valley Unified School District's major federal programs for the year ended June 30, 2020. Anderson Valley Unified 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 Anderson Valley Unified 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 Anderson Valley Unified 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 Anderson Valley Unified School District's compliance.

Opinion on Each Major Federal Program
In our opinion, Anderson Valley Unified 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, 2020.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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Report on Internal Control Over Compliance

Management of Anderson Valley Unified 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 Anderson Valley Unified 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.

Nigro + Nigro, PC.

Murrieta, California
January 4, 2021

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Anderson Valley Unified School District
Boonville, California

Report on State Compliance
We have audited Anderson Valley Unified School District's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Anderson Valley Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Anderson Valley Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Anderson Valley Unified 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 Anderson Valley Unified School District's compliance.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
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 continuation education because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

In our opinion, Anderson Valley Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which is described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Anderson Valley Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Anderson Valley Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC.

Murrieta, California
January 4, 2021

Findings and Questioned Costs

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

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

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND 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 2019-20.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000)

This is a repeat of Finding 2019-001.

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted two students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.

Context: We noted one exception out of 22 FRPM only students tested at two schools. We then increased our sample to include 100 percent of the population at the site where the exception was discovered, Anderson Valley Elementary. Out of these additional 31 students tested we noted one additional exception, for a total of two exceptions.

Cause: For one student, the District was unable to locate the meal application and therefore could not produce any documentation to support their classification of free or reduced-price eligible. For the other student noted as an exception, the District had initially entered them as a “paid” status in the year they applied which was a Provision 2 base year for the district. However, the District adjusted them to “reduced” status in a subsequent year, based on updated income eligibility tables that were not applicable the year the application was submitted.

Effect: There is a questioned cost of $3,767, calculated using the CDE audit penalty calculator. The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

	CALPADS	Adjusted based on eligibility for: FRPM	Adjusted Total
Program/Site:			
Anderson Valley Elementary	197	(2)	195
Anderson Valley Junior-Senior High	176	-	176
Rancheria Continuation	5	-	5
Aggregate remaining sites	1	-	1
District-wide	379	(2)	377

Total enrollment of 444 was not adjusted based on the results of our procedures.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000) (continued)

Recommendation: We recommend that the District implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.

Views of Responsible Officials: The District started CEP and therefore a new four-year cycle in following year. The applications will be copied and put in a digital file to ensure they are not misplaced.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2019-001: CALPADS Unduplicated Pupil Count	Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals: • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted three students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31. We noted three exceptions out of 101 FRPM students tested at three schools, for an exception rate of 2.97%. We extrapolated this error rate across the total population of 114 free and reduced-price only students for a total exception of three.	40000	We recommend that the District implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.	Not Implemented. See Finding 2020-001.
Finding 2019-002: Comprehensive School Safety Plan	According to Education Code section 32281 "each school district and county office of education is responsible for the overall development of all comprehensive school safety plans for its schools operating kindergarten or any of grades 1 to 12, inclusive." Furthermore, per section 32282, the comprehensive school safety plan "shall be evaluated at least once a year, to ensure that the comprehensive school safety plan is properly implemented."	40000	We recommend that the District implement a procedure to ensure that their plan is reviewed and updated annually by the March 1 deadline.	Implemented.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2019-002: Comprehensive School Safety Plan (continued)	During our testing of the comprehensive school safety plan, it was noted that the District did not update its plan by March 1, as required by the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. The District did not prepare an annual update by March 1 for any of its sites.			
Finding 2019-003: After School Education and Safety	The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483.9 (b) a program participant receiving state funding pursuant to this article may expend no more than 15 percent of that funding on administrative costs, which funding need not be earned through pupil attendance. For purposes of this section, administrative costs shall include indirect costs. (c) A program participant receiving state funding pursuant to this program shall ensure that no less than 85 percent of that funding is allocated to schoolsites for direct services to pupils. During the 2018-19 year, the District expended 16.2% of their ASES funding on administrative and indirect costs.	40000	We recommend that the District review expenditures to ensure that no more than 15% of program costs are spend on administrative activities.	Implemented.

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To the Board of Trustees
Anderson Valley Unified School District
Boonville, California

In planning and performing our audit of the basic financial statements of Anderson Valley Unified School District for the year ending June 30, 2020, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated January 4, 2021 on the financial statements of Anderson Valley Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

***Observation*:** We noted that the student council at **Anderson Valley Sr/Jr High** did not prepare an annual operating budget. A budget is an important tool to monitor the financial activities of the ASB.

> ***Recommendation*:** We recommend that the student council prepare an annual budget and after preparation, the student council should adopt the budget and document it in the minutes.

***Observation*:** In our testing of cash receipts at **Anderson Valley Jr./Sr. High**, we found that two of the four cash receipts that we sampled were not deposited in a timely manner, and that three of the four items sampled did not have adequate supporting documentation

> ***Recommendation*:** Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. We further recommend that money be deposited regularly. Money should never be left over the weekend or holidays because many thefts often occur during these times.

***Observation*:** In our test of cash disbursements, we noted that five of five disbursements selected in our sample were not approved by the student representative, the District representative and/or the ASB advisor until after the expenditures had been incurred. All approval documentation was signed after the purchases were made, prior to issuing the corresponding check.

> ***Recommendation*:** Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice principal) prior to disbursing the funds. As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student body funds and falls within budgetary guidelines.

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DISTRICT OFFICE

***Observation*:** During our review of disbursements at the District, we noted ten expenditures in our sample of 63 which were lacking purchase orders or a signature of approval. It is important that all expenditures be preapproved and supported by adequate and complete supporting documentation to ensure that only allowable expenses, which are in line with the budget, are incurred. Incurring costs prior to purchase order approval may result in inappropriate expenditures and/or expenditures exceeding budgeted amounts.

> ***Recommendation*:** We recommend that the District emphasize the importance of gaining proper approval prior to making purchases and that control procedures be established to maintain adequate supporting documentation for all purchases.

We will review the status of the current year comments during our next audit engagement.

Nigro + Nigro, PC.

Murrieta, California
January 4, 2021

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT MENDOCINO COUNTY

The Bonds are not a debt of Mendocino County (the ***"County"****). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General

Anderson Valley is located approximately 150 miles north of San Francisco, between the City of Cloverdale on the U.S. Highway 101 corridor to the southeast, and U.S. Highway 1 to the West. Highway 128 parallels the Navarro River and travels through the tiny towns of Yorkville, Boonville, Philo and Navarro. Only about fifteen miles long, this valley is filled with panoramic views of apple orchards, olive groves, grazing sheep, vineyards and rolling hills studded with giant oaks in the southern portion of the valley, giving way to the redwoods in the north.

Historically, the valley's economy has been dominated by the lumber industry, the raising of sheep, and farming. In recent years, the addition of many wineries has been a growing source of economy for the valley.

Mendocino County

The County was created in 1850 by the State Legislature and was one of the State's original 27 counties. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt counties all border Mendocino County on its inland side. The County spans an area of over 2 million acres, which is approximately 3500 square miles and its coastline runs about 100 miles. Coastal highways 1 and 101, running through the center of the County, are important transportation routes. Smaller country roads connect Mendocino's five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The City of Ukiah is the largest city in the County and is the County seat. The County is legislatively governed by a board of five supervisors, each with a separate district.

The County has nine Indian reservations lying within its borders, the fourth most of any county in the United States (after San Diego County, California; Sandoval County, New Mexico; and Riverside County, California).

Population

The County's population at January 1, 2022, the most recent estimate, was 89,999 according to the State Department of Finance. The table below shows population estimates for the County, for the last five years.

MENDOCINO COUNTY
Population Estimates
Calendar Years 2018 through 2022 as of January 1

Area	2018	2019	2020*	2021	2022
Fort Bragg	7,540	7,494	7,063	7,064	7,153
Point Arena	438	430	460	446	443
Ukiah	16,081	15,942	16,604	16,228	16,080
Willits	5,133	5,107	4,947	4,959	4,920
Balance Of County	59,350	59,232	7,063	7,064	7,153
Total County	**88,542**	**88,205**	**91,601**	**90,669**	**89,999**

As of April 1.
Source: State Department of Finance estimates (as of January 1)

Largest Employers

The following table lists the twenty-five largest employers within the County as of July 2022, being the most current date for which such information is available. The employers are listed in alphabetical order without regard to the number of employees.

MENDOCINO COUNTY
Major Employers (Listed Alphabetically)
As of July 2022

Employer Name	Location	Industry
Adventist Health Howard Meml	Willits	Hospitals
Adventist Health Mendocino Cst	Fort Bragg	Hospitals
Adventist Health Ukiah Vly	Ukiah	Outpatient Services
California Department-Forestry	Willits	Fire Departments
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Ukiah	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Little River Inn	Little River	Golf Courses
Mendocino Community Health	Ukiah	Clinics
Mendocino County	Ukiah	Government Offices-County
Mendocino County Food Stamps	Ukiah	Government Offices-County
Mendocino County Office of Edu	Ukiah	Boards of Education
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Redwood Co LLC	Calpella	Restaurants
Metalfx Inc	Willits	Sheet Metal Fabricators (mfrs)
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Pacific Medical Resources	Fort Bragg	Nursing Services
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Ukiah City Civic Ctr	Ukiah	Government Offices-City/Village & Twp
Ukiah High School	Ukiah	Schools
Ukiah Valley Medical Ctr	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 2nd Edition.

The following table lists major employers within the County as of June 30, 2020, based on estimated number of employees.

MENDOCINO COUNTY
Major Employers (By Number of Employees)
As of June 30, 2020

Employer Name	Industry	Number of Employees
County of Mendocino	County Services	1,000-1,500
Adventist Health Ukiah Valley/UVMC	Hospital & Outpatient Services	500-999
Mendocino Redwood Co., LLC	Manufacturing/Sawmill	500-999
Ukiah Unified School District	Education	500-999
Fetzer Vineyards	Vineyard/Winery	250-499
Frank R. Howard Memorial Hospital	Hospitals	250-499
Mendocino Coast District Hospital	Hospitals	250-499
Mendocino Community Health	Hospitals	250-499
CA Dept. of Forestry/Cal Fire	Fire Protection Services	100-249
City of Ukiah	City Services	100-249
Costco Wholesale	Wholesale Clubs	100-249
Coyote Valley Tribe of Pomo Indians	Casinos	100-249
Mendocino College	Education	100-249
Safeway	Grocery	100-249
Wal-Mart Stores, Inc.	Retail	100-249

Source: County of Mendocino Annual Comprehensive Financial Report for fiscal year ended June 30, 2020.

Employment and Industry

The following table shows the average annual estimated numbers of wage and salary workers by industry.

Mendocino County
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2021 Benchmark)

	2017	2018	2019	2020	2021
Civilian Labor Force [1]	39,530	39,450	38,730	37,100	36,920
Employment	37,740	37,860	37,160	33,700	34,620
Unemployment	1,800	1,590	1,570	3,400	2,300
Unemployment Rate	4.6%	4.0%	4.0%	9.2%	6.2%
Wage and Salary Employment: [2]					
Agriculture	1,380	1,450	1,460	1,450	1,690
Mining, Logging, and Construction	1,540	1,690	1,690	1,600	1,620
Manufacturing	2,540	2,470	2,430	2,310	2,370
Wholesale Trade	840	810	740	700	760
Retail Trade	4,760	4,820	4,810	4,490	4,660
Transportation, Warehousing, Utilities	710	730	720	840	900
Information	230	230	210	170	170
Financial Activities	1,060	1,070	1,050	980	980
Professional and Business Services	1,670	1,790	1,860	1,810	1,830
Educational and Health Services	5,750	5,780	5,840	5,580	5,610
Leisure and Hospitality	4,410	4,490	4,360	3,230	3,660
Other Services	810	810	750	710	730
Federal Government	270	270	270	290	260
State Government	560	580	600	640	670
Local Government	6,400	6,320	6,310	5,670	5,430
Total, All Industries [3]	32,950	33,290	33,100	30,430	31,320

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Columns may not sum to totals due to rounding.
Source: State of California Employment Development Department.

Commercial Activity

Total taxable sales during the first quarter of calendar year 2022 in the County were reported to be $422,242,218, a 7.44% decrease over the total taxable sales of $456,163,518 reported during the first quarter of calendar year 2021.

MENDOCINO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2017 through 2021
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	**Permits on July 1**	**Taxable Transactions**	**Permits on July 1**	**Taxable Transactions**
2017	2,529	$1,111,403	4,460	$1,467,165
2018	2,492	1,150,832	4,796	1,490,850
2019	2,472	1,245,092	5,046	1,602,968
2020	2,567	1,350,609	5,232	1,728,692
2021	2,261	1,536,256	4,584	1,992,552

Source: State Department of Tax and Fee Administration.

Construction Trends

Provided below are the building permits and valuations for the County for calendar years 2017 through 2021.

MENDOCINO COUNTY
Total Building Permit Valuations
Calendar Years 2017 through 2021
(dollars in thousands)

	2017	2018	2019	2020	2021
Permit Valuation					
New Single-family	$17,779.4	$29,034.7	$22,296.2	$20,148.2	$28,479.9
New Multi-family	224.9	0.0	1,630.7	3,526.4	0.0
Res. Alterations/Additions	7,241.9	985.7	9,095.0	9,570.8	14,317.5
Total Residential	25,246.2	39,303.1	33,021.9	33,245.4	42,797.4
New Commercial	14,404.3	4,248.8	17,698.1	20,058.6	17,389.9
New Industrial	775.3	5.0	14.6	20,158.6	0.0
New Other	2,859.7	20,105.1	5,738.3	4,898.0	4,576.4
Com. Alterations/Additions	2,240.8	7,387.6	8,771.3	5,546.0	1,590.4
Total Nonresidential	20,280.1	31,746.5	32,222.3	50,661.2	23,556.7
New Dwelling Units					
Single Family	91	157	137	102	203
Multiple Family	2	0	8	240	0
TOTAL	93	157	145	342	203

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the effective buying income for the County, the State and the United States for the period 2018 through 2022.

MENDOCINO COUNTY
Effective Buying Income
For Calendar Years 2018 through 2022

Year	Area	Total Effective Buying Income (000's Omitted	Median Household Effective Buying Income
2018	Mendocino County	$1,833,429	$40,496
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Mendocino County	$1,958,994	$42,231
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Mendocino County	$2,374,052	$48,768
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Mendocino County	$2,149,946	$46,801
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Mendocino County	$2,538,336	$55,971
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc. for 2018; Claritas, LLC for 2019 through 2022.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

[Closing Date]

Board of Trustees
Anderson Valley Unified School District
12300 Anderson Valley Way
Boonville, CA 95415

OPINION: $__________ Anderson Valley Unified School District
(Mendocino County, California)
General Obligation Bonds, 2022 Election, Series A (Bank Qualified)

Members of the Board of Trustees:

We have acted as bond counsel to the Anderson Valley Unified School District (the "District") in connection with the issuance by the District of $_________ principal amount of Anderson Valley Unified School District (Mendocino County, California) General Obligation Bonds 2022 Election, Series A, (Bank Qualified), dated the date hereof (the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on August 9, 2022 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly established and validly existing as a unified school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the Board of Supervisors of the County of Mendocino is

obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that for tax years beginning after December 31, 2022, interest on the Bonds may be subject to the corporate alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(3) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to the portion of the Bonds designated as and comprising interest.

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

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

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

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$______________
ANDERSON VALLEY UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
2022 Election, Series A
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Anderson Valley Unified School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on August 9, 2022 (the "**Resolution**"). The Bank of New York Mellon Trust Company, N.A.is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

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

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

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

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

"*Dissemination Agent*" means, initially, Dale Scott & Company Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

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

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

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

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2023 with the report for the 2021-22 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District, as follows:

(i) Assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll;

(ii) Property tax collection delinquencies in the District for the most recently completed Fiscal Year, but only if the District's general obligation bond tax levies are not included in Mendocino County's Teeter Plan and such information is available from the County; and

(iii) The District's most recently adopted budget or interim report showing budgeted figures available at the time of filing the Annual Report.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, 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 security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

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

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

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

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

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

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

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

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

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

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

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

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

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

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

Date: _______, 2022

ANDERSON VALLEY UNIFIED SCHOOL DISTRICT

By: ______________________________
Name:____________________________
Title:_____________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX G

MENDOCINO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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COUNTY OF MENDOCINO

STATEMENT OF INVESTMENT POLICY

OFFICE OF
SHARI L. SCHAPMIRE
MENDOCINO COUNTY TREASURER
JANUARY 2022

I. Introduction

As designated by the Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer to secure and protect the public funds of the County, as well as establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational, and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations in a manner anticipated to provide additional benefits to the citizens of the County of Mendocino. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also levels out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing funds.

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27136, and 53600 - 53686. The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws will be the focus of this policy statement. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. This document is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices.

II. Scope

This Investment Policy applies to all the County's financial assets and investment activities with the following exceptions:

A. Proceeds of debt issuance shall be invested in accordance with the County's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated quarterly, on the average daily balance method, to the various funds based on their respective participation and in accordance with generally accepted accounting principles. All costs related to investing, maintaining, and accounting for the investments purchased for the Treasury Pool, as authorized by California Government Code Section 27013, shall be apportioned equally on the same basis.

III. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks. The specific objectives for the program are ranked in order of importance:

1. ***Safety***: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

2. ***Liquidity***: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. ***Return on Investments***: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Yield is definitely considered to be of much less importance than safety and liquidity and shall not be a driving force in determining which investments are selected for purchase.

IV. PRUDENCE, INDEMNIFICATION, AND ETHICS

A. *Prudent Investor Standard*: Management of the County's investments is governed by the Prudent Investor Standard as set forth in California Government Code Section 53600.3:

> **"…**all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the County, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. *Indemnification*: The Treasurer and other authorized persons responsible for managing County funds, acting in accordance with the investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

C. *Ethics*: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. DELEGATION OF AUTHORITY

A. Authority to manage the County's investment program is derived from California Government Code Sections 53600 *et seq.* The governing body is responsible for the County's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of County funds is hereby delegated to the Treasurer.

   The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees.

B. The County may engage the services of one or more external investment managers to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The County Treasurer will determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

   1. Institutions licensed by the state as a broker-dealer.

   2. Institutions that are members of a federally regulated securities exchange.

   3. Primary government dealers as designated by the Federal Reserve Bank;

   4. Non-primary government dealers;

   5. Nationally or state-chartered banks;

   6. The Federal Reserve Bank; and,

   7. Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the County will be at the sole discretion of the County.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq*. and the County's Investment Policy.

D. Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the investment adviser.

E. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County will be held in safekeeping by a third party bank custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County.

C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions to the extent possible or through the use of a nationally recognized trading platform.

The only exceptions to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and (iii) mutual funds and money market mutual funds, since these securities are non-deliverable.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of the State of California and as described within this Investment Policy. Percentage holding limits and credit rating minimums are applicable at the time the security is purchased. Permitted investments under this policy will include:

1. **Municipal Securities.** These include obligations of the County, the State of California, and any local Agency within the State of California. In addition, Municipal Securities include obligations of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California. The bonds will be registered in

the name of the County or held under a custodial agreement at a bank. The securities are rated in a rating category of "A" or higher by at least one nationally recognized statistical rating organization (NRSRO).

a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,

b. No more than five percent per issuer.

c. No more than 30% of the portfolio may be invested in Municipal Securities.

2. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the County may invest in U.S. Treasuries.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase.

3. **Federal Agency** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the County may invest in government-sponsored enterprises.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,

   b. No more than 30% of the pool value shall be invested in any single issuer.

   c. The maximum percentage of callable agency securities will be 20%.

4. **Banker's Acceptances** provided that:

   a. They are issued by institutions with short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and have long-term debt obligations which are rated in the rating category of "A" or higher by at least two NRSROs;

   b. The maturity does not exceed 180 days; and,

   c. No more than 40% of the total portfolio may be invested in banker's acceptances; and,

   d. No more than five percent per issuer.

5. **Federally Insured Time Deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

   a. The amount per institution is limited to the maximum covered under federal insurance; and,

   b. The maturity of such deposits does not exceed five years; and,

   c. No more than five percent per issuer.

6. **Supranationals** provided that:

   a. Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank; and,

   b. The securities are rated in the rating category of "AA" or higher by two NRSROs; and,

   c. No more than 30% of the total portfolio may be invested in these securities; and,

   d. No more than 10% of the portfolio per issuer; and,

   e. The maximum maturity does not exceed five years.

7. **Time Deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

   a. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits; and,

   b. The maturity of such deposits does not exceed five years; and,

   c. No more than five percent per issuer.

8. Certificate of Deposit Placement Service (CDARS) provided that:

   a. No more than 30% of the total portfolio may be invested in a combination of negotiable certificates of deposit including CDARS; and,

   b. The maturity of such deposits does not exceed five years.

9. **Negotiable Certificates of Deposit (NCDs)** provided that:

a. They are issued by institutions which have long-term obligations which are rated in the rating category of “A” or higher by at least two NRSROs; and/or have short term debt obligations rated in the rating category of “A-1” or higher, or the equivalent, by at least two NRSROs; and,

b. The maturity does not exceed five years; and,

c. No more than 30% of the total portfolio may be invested in NCDs; and,

d. No more than five percent per issuer.

10. **Repurchase Agreements** collateralized with securities authorized under Sections VI and VIII (2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

    a. The maximum maturity of repurchase agreements will be one year; and,

    b. There is no limit to the amount to be invested in repurchase agreements; and

    c. Securities used as collateral for repurchase agreements will be delivered to the County’s custodian bank (See Section VII B); and,

    d. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

11. **Commercial Paper** provided that:

    a. The maturity does not exceed 270 days from the date of purchase; and,

    b. The issuer is a corporation organized and operating in the United States with assets in excess of $500 million; and,

    c. If the issuer is organized within the United States as a special purpose corporation, trust, or limited liability corporation, then the securities must have program-wide credit enhancement including, but not limited to, overcollateralization, letters of credit, or a surety bond.

    d. They are issued by institutions whose short term obligations are rated in the rating category of “A-1” or higher, or the equivalent, by at least two NRSROs; and whose long-term obligations, if any, are rated in the rating category of “A” or higher by at least two NRSROs; and,

    e. No more than 40% of the portfolio is invested in commercial paper; and,

f. No more than five percent per issuer.

12. **State of California Local County Investment Fund (LAIF)**, provided that:

    a. The County may invest up to the maximum permitted amount in LAIF; and,

    b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

13. **Local Government Investment Pools**

14. **Corporate Medium Term Notes (MTNs),** provided that:

    a. Such notes have a maximum maturity of five years; and,
    b. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States; and,

    c. Are rated in the rating category of "A" or better by at least two NRSROs; and,

    d. Holdings of medium-term notes may not exceed 30% of the portfolio; and,

    e. No more than five percent per issuer.

15. **Mortgage Pass-Through Securities and Asset-Backed Securities,** provided that such securities:

    a. Have a maximum stated final maturity of five years; and

    b. Be rated in a rating category of "AA" or its equivalent or better by at least two NRSROs; and,

    c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.

    d. No more than five percent of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a federal agency/government-sponsored entity.

16. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:

    a. Provided that such funds meet either of the following criteria:

1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs; or,

2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million.

b. Purchase of Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 10% in any one mutual fund. Money Market Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 20% in any one money market mutual fund.

c. No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

IX. PORTFOLIO RISK MANAGEMENT

A. *Prohibited investment vehicles and practices*:

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

2. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Purchasing securities with a final maturity longer than five years, unless approved by the Board of Supervisors, is prohibited.

4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited. Under a provision sunsetting January 1, 2026, securities backed by the U.S. Government that could result in zero or negative interest accrual if held to maturity are permitted.

5. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

6. Purchasing or selling securities on margin is prohibited.

7. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.

8. The purchase of foreign currency denominated securities is prohibited.

B. *Mitigating credit risk in the portfolio*: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The County will mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio;

2. No more than five percent of the total portfolio may be invested in securities of any single issuer, except for US government securities, LGIPs, Supranationals, and money market mutual funds, or unless otherwise specified in this policy;

3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or County's risk preferences; and,

4. If a security's credit ratings owned by the County are downgraded to a level below the quality required by this Investment Policy, making the security ineligible for additional purchases, the following steps will be taken:

   a. Any actions taken related to the downgrade by the investment manager will be communicated to the Treasurer in a timely manner.

   b. If a decision is made to retain the security, the credit situation will be monitored and reported to the governing board.

C. *Mitigating market risk in the portfolio*: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The County will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;

2. The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy; and,

3. The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) of a Market Benchmark Index selected by the County based on the County's investment objectives, constraints, and risk tolerances.

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the selected Market Benchmark Index.

XI. SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth in Section III above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacco products, firearms, or weapons not used in our national defense.

XII. PROCEDURES AND INTERNAL CONTROLS

A. *Procedures*: The Treasurer will establish written investment policy procedures in a separate investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy as designated in Appendix I and the procedures established by the Treasurer.

B. *Internal Controls*: The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the County's investment procedures manual.

XIII. DEPOSIT AND WITHDRAWAL OF FUNDS

A. *Deposits*: Funds will be accepted at all times from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the Treasury Pool. The County Treasurer, in conjunction with the Auditor, shall set conditions under which funds from local agencies not required to have their funds in the Treasury Pool may deposit voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the Treasury Pool.

B. *Withdrawals*: Under language added to the California Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds in the Treasury Pool, to withdraw funds in order to invest outside the Treasury Pool. Local agencies within the County who voluntarily participate in the Treasury Pool may withdraw their funds under conditions set forth in California Government Code Section 27136.

XIV. REPORTING, DISCLOSURE, AND PROGRAM EVALUATION

A. *Monthly Reports*: Monthly investment reports will be posted to the Treasurer's website. These reports will disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, date of maturity, and interest rate;

2. A one-page summary report that shows:

    a. Average maturity of the portfolio and modified duration of the portfolio;

    b. Maturity distribution of the portfolio;

    c. Average portfolio credit quality.

3. A monthly transactions report.

B. *Quarterly Reports*: Investment reports will be provided to the Board of Supervisors on a quarterly basis. The quarterly report shall be submitted within 30 days following the end of the quarter. These reports will disclose all information provided in the monthly reports, as well as the following:

1. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,

2. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.

C. *Annual Reports*:

1. The investment policy will be reviewed and adopted by the Board of Supervisors at least annually to ensure its consistency with the overall objectives of preservation of

principal, liquidity, and return, and its relevance to current law and financial and economic trends.

2. A comprehensive annual report will be issued at the conclusion of each fiscal year. This report will include comparisons of the County's return to the Benchmark Index return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

D. *Annual Audit*: An independent review by an external expert will be conducted annually to assure compliance with internal controls and adherence to the Investment Policy.

Policy adopted by the Mendocino County Board of Supervisors on January 25, 2022.

Appendix I

Authorized Personnel

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations, the following job classes are authorized to transact investment business and wire funds for investment purposes on behalf of the County of Mendocino:

Assistant Treasurer-Tax Collector
Deputy Treasurer-Tax Collector (Treasurer Division)
Treasury Specialist

Appendix II

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Certificate of Deposit Account Registry SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current Yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

Duration. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

MATURITY. The final date upon which the principal of a security becomes due and payable.

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market.

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Mendocino County Consolidated

Account #70006

Portfolio Summary

As of June 30, 2022

PORTFOLIO CHARACTERISTICS

Average Modified Duration	1.30
Average Coupon	1.03%
Average Purchase YTM	1.19%
Average Market YTM	2.43%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	1.34 yrs
Average Life	1.34 yrs

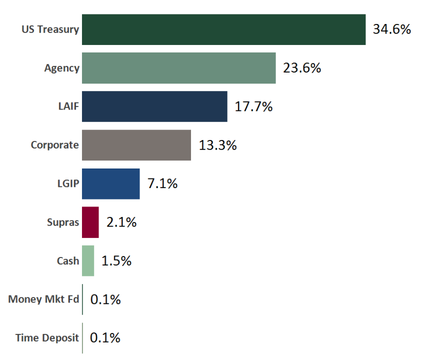
ACCOUNT SUMMARY

	Beg. Values as of 5/31/22	**End Values as of 6/30/22**
Market Value	444,315,922	423,609,452
Accrued Interest	779,454	937,361
Total Market Value	**445,095,376**	**424,546,813**
Income Earned	360,549	380,989
Cont/WD		
Par	453,350,733	434,623,240
Book Value	451,604,718	432,809,013
Cost Value	451,187,387	432,416,569

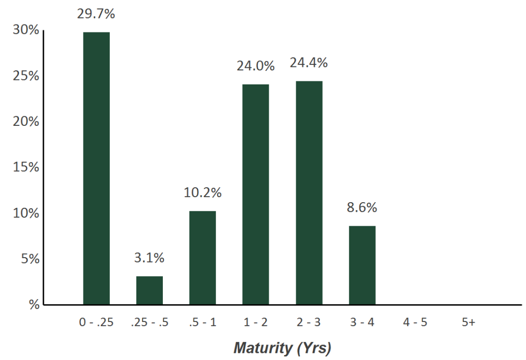
TOP ISSUERS

Government of United States	34.6%
Local Agency Investment Fund	17.7%
Federal Farm Credit Bank	10.2%
CAMP	7.1%
Federal Home Loan Mortgage Corp	7.0%
Federal National Mortgage Assoc	3.3%
Federal Home Loan Bank	3.0%
Inter-American Dev Bank	1.0%
Total	**84.0%**

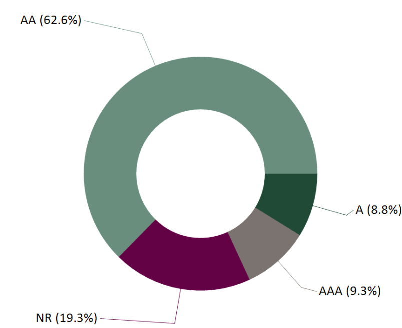
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Statement of Compliance

As of June 30, 2022

County of Mendocino Consolidated

This portfolio is a consolidation of assets managed by Chandler Asset Management and assets managed internally by Client. Chandler relies on Client to provide accurate information for reporting assets and producing this compliance statement.

Category	Standard	Comment
U.S. Treasuries	No limitation; Full Faith and credit of the U.S. are pledged for the payment of principal and interest	*Complies*
Federal Agencies	30% max per Agency issuer; 20% max callable agency securities; Federal agencies or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or U.S. government-sponsored enterprises	*Complies*
Supranational Obligations	"AA" rating category or higher by two NRSROs; 30% max; 10% max per issuer; Unsubordinated obligations issued by IBRD, IFC, or IADB	*Complies*
Municipal Securities	"A" rating category or higher by a NRSRO; 30% max; 5% max per issuer; Include obligations of the County, the State of California, and any local agency within the State of California; Obligations of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California.	*Complies*
Corporate Medium Term Notes	"A" rating category or better by two NRSROs; 30% max; 5% max per issuer; Issued by corporations organized and operating within U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	*Complies*
Asset-Backed Securities (ABS) and Mortgage Pass-Through Securities	"AA" rating category or better by two NRSROs; 20% max (combined Mortgage Pass-Through and Asset-Backed Securities) ; 5% max per issuer in Asset Backed or Commercial Mortgage security issuer. No issuer limitation on any Mortgage security where the issuer is U.S. Treasury or Federal Agency/GSE	*Complies*
Negotiable Certificates of Deposit (NCD)	"A" rating category or higher by two NRSROs for long-term obligations; and/or "A-1" rating category or higher by two NRSROs for short-term debt obligations; 30% max (including CDARS); 5% max per issuer	*Complies*
Certificate of Deposit Placement Service (CDARS)	30% max (combined Negotiable Certificates of Deposit including CDARS)	*Complies*
FDIC Insured Time Deposits (Non-negotiable CD/TD)	Non-Negotiable Certificates of Deposit in state or federally chartered banks, savings and loans, or credit unions; The amount per institution is limited to maximum covered under FDIC; 20% max combined FDIC & Collateralized CD/TD; 5% max per issuer	*Complies*
Collateralized Time Deposits (Non-negotiable CD/TD)	Non-Negotiable Certificates of Deposit in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law; 20% max combined FDIC & Collateralized CD/TD; 5% max per issuer	*Complies*
Banker's Acceptances	"A-1" rating category or higher by two NRSROs for short-term debt obligations; and "A" rating category or higher by two NRSROs for long-term debt obligations; 40% max; 5% max per issuer; 180 days max maturity	*Complies*
Commercial Paper	"A-1" rating category or higher by two NRSROs for short-term obligations; and "A" rating category or higher by two NRSROs for long-term obligations, if any; 40% max; 5% max per issuer; 270 days max maturity; Issuer is a corporation organized and operating in the U.S. with assets in excess of $500 million; If the issuer is organized within the U.S. as a special purpose corporation, trust, or limited liability corporation, then the securities must have program-wide credit enhancement including, but not limited to, overcollateralization, letters of credit, or a surety bond.	*Complies*
Mutual Funds and Money Market Mutual Funds	Registered with SEC under Investment Company Act of 1940 and meet either of the following criteria: (i) Highest rating by two NRSROs; or (ii) Retained an investment adviser registered or exempt from SEC registration with > 5 years experience managing money market mutual funds with AUM >$500 million; 20% max combined Money Market Mutual Funds and Mutual Funds; 20% max per Money Market Mutual Fund; 20% max in Mutual Funds; 10% max per Mutual Fund	*Complies*
Local Agency Investment Fund (LAIF)	Maximum permitted amount by LAIF	*Complies*

Local Government Investment Pool (LGIP)		*Complies*
Repurchase Agreements	No limitation; 1 year max maturity; 102% collateralized; Not used by investment adviser	*Complies*
Prohibited	Inverse floaters, range notes, mortgage derived interest-only strips; Securities with maturity longer than 5 years (unless approved by the Board of Supervisors); Zero interest accrual if held to maturity; Under a provision sunsetting January 1, 2026, securities backed by the U.S. Government that could result in zero or negative interest accrual if held to maturity are permitted; Trading securities for the sole purpose of speculating on the future direction of interest rates; Purchasing or selling securities on margin; Reverse Repurchase Agreements; Securities lending; Foreign currency denominated securities	*Complies*
Social and Environmental Concerns	Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacco products, firearms, or weapons not used in our national defense.	*Complies*
Maximum Per Issuer	5% max per issuer, except for U.S. Government securities, LGIPs, Supranationals, and money market mutual funds, or unless otherwise specified in this policy	*Complies*
Maximum maturity	5 years maximum maturity	*Complies*

Holdings Report

As of June 30, 2022

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
313383WD9	FHLB Note 3.125% Due 9/9/2022	2,200,000.00	01/16/2019 2.66%	2,235,266.00 2,201,854.71	100.25 1.80%	2,205,493.40 21,388.89	0.52% 3,638.69	Aaa / AA+ AAA	0.19 0.19
3135G0T78	FNMA Note 2% Due 10/5/2022	3,000,000.00	05/20/2019 2.22%	2,979,030.00 2,998,367.30	99.95 2.17%	2,998,596.00 14,333.33	0.71% 228.70	Aaa / AA+ AAA	0.27 0.26
3133EKHN9	FFCB Note 2.33% Due 10/18/2022	3,000,000.00	05/01/2019 2.32%	3,001,380.00 3,000,118.91	100.07 2.07%	3,002,247.00 14,174.17	0.71% 2,128.09	Aaa / AA+ AAA	0.30 0.30
313381BR5	FHLB Note 1.875% Due 12/9/2022	3,000,000.00	Various 2.46%	2,931,075.00 2,992,748.17	99.81 2.30%	2,994,342.00 3,437.50	0.71% 1,593.83	Aaa / AA+ AAA	0.44 0.44
3133ELNW0	FFCB Note 1.45% Due 2/21/2023	3,000,000.00	02/14/2020 1.45%	2,999,940.00 2,999,987.14	99.29 2.57%	2,978,661.00 15,708.33	0.71% (21,326.14)	Aaa / AA+ AAA	0.65 0.63
3130ADRG9	FHLB Note 2.75% Due 3/10/2023	3,000,000.00	03/28/2019 2.24%	3,057,120.00 3,009,982.14	100.12 2.57%	3,003,669.00 25,437.50	0.71% (6,313.14)	Aaa / AA+ NR	0.69 0.68
3137EAEQ8	FHLMC Note 0.375% Due 4/20/2023	4,235,000.00	Various 0.36%	4,236,232.50 4,235,379.34	98.01 2.89%	4,150,926.78 3,132.14	0.98% (84,452.56)	Aaa / AA+ AAA	0.81 0.79
3137EAER6	FHLMC Note 0.375% Due 5/5/2023	3,000,000.00	05/05/2020 0.39%	2,998,740.00 2,999,644.94	97.91 2.89%	2,937,198.00 1,750.00	0.69% (62,446.94)	Aaa / AA+ AAA	0.85 0.83
3135G04Q3	FNMA Note 0.25% Due 5/22/2023	3,050,000.00	05/20/2020 0.35%	3,040,819.50 3,047,275.19	97.72 2.84%	2,980,609.45 826.04	0.70% (66,665.74)	Aaa / AA+ AAA	0.89 0.88
3133ELG81	FFCB Note 0.3% Due 6/8/2023	4,000,000.00	06/02/2020 0.33%	3,997,000.00 3,999,063.01	97.59 2.92%	3,903,556.00 766.67	0.92% (95,507.01)	Aaa / AA+ AAA	0.94 0.92
3133834G3	FHLB Note 2.125% Due 6/9/2023	2,750,000.00	06/10/2019 2.00%	2,763,035.00 2,753,064.43	99.18 3.01%	2,727,582.00 3,571.18	0.64% (25,482.43)	Aaa / AA+ NR	0.94 0.92
3133EKSN7	FFCB Note 1.77% Due 6/26/2023	2,500,000.00	06/21/2019 1.89%	2,488,375.00 2,497,135.52	98.81 3.00%	2,470,325.00 614.58	0.58% (26,810.52)	Aaa / AA+ AAA	0.99 0.97
3137EAES4	FHLMC Note 0.25% Due 6/26/2023	3,300,000.00	06/24/2020 0.35%	3,290,364.00 3,296,832.00	97.33 3.01%	3,211,909.80 114.58	0.76% (84,922.20)	Aaa / AA+ AAA	0.99 0.97
3135G05G4	FNMA Note 0.25% Due 7/10/2023	3,475,000.00	07/08/2020 0.32%	3,467,528.75 3,472,448.18	97.35 2.88%	3,382,978.53 4,126.56	0.80% (89,469.65)	Aaa / AA+ AAA	1.03 1.01
3133EKZK5	FFCB Note 1.6% Due 8/14/2023	3,000,000.00	08/09/2019 1.63%	2,996,040.00 2,998,891.42	98.53 2.94%	2,955,909.00 18,266.67	0.70% (42,982.42)	Aaa / AA+ AAA	1.12 1.09
3133EL3V4	FFCB Note 0.2% Due 8/14/2023	4,000,000.00	08/12/2020 0.27%	3,991,640.00 3,996,877.41	97.05 2.89%	3,881,816.00 3,044.44	0.92% (115,061.41)	Aaa / AA+ AAA	1.12 1.10

Holdings Report

As of June 30, 2022

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3137EAEV7	FHLMC Note 0.25% Due 8/24/2023	4,825,000.00	Various 0.29%	4,818,968.50 4,822,688.16	97.03 2.90%	4,681,601.00 4,255.38	1.10% (141,087.16)	Aaa / AA+ AAA	1.15 1.13
3133EL6J8	FFCB Note 0.22% Due 9/8/2023	4,000,000.00	09/14/2020 0.26%	3,995,648.00 3,998,264.00	96.75 3.02%	3,870,072.00 2,762.22	0.91% (128,192.00)	Aaa / AA+ AAA	1.19 1.17
3137EAEW5	FHLMC Note 0.25% Due 9/8/2023	4,045,000.00	Various 0.25%	4,045,461.15 4,045,192.71	96.95 2.88%	3,921,724.58 3,174.20	0.92% (123,468.13)	Aaa / AA+ AAA	1.19 1.17
3133EMBS0	FFCB Note 0.2% Due 10/2/2023	4,000,000.00	09/28/2020 0.24%	3,995,240.00 3,998,009.06	96.73 2.87%	3,869,372.00 1,977.78	0.91% (128,637.06)	Aaa / AA+ AAA	1.26 1.24
3137EAEY1	FHLMC Note 0.125% Due 10/16/2023	3,900,000.00	10/14/2020 0.25%	3,885,453.00 3,893,729.51	96.51 2.89%	3,763,862.70 1,015.63	0.89% (129,866.81)	Aaa / AA+ AAA	1.30 1.28
3137EAEZ8	FHLMC Note 0.25% Due 11/6/2023	4,385,000.00	11/03/2020 0.28%	4,381,053.50 4,383,224.80	96.52 2.90%	4,232,371.31 1,674.83	1.00% (150,853.49)	Aaa / AA+ AAA	1.35 1.33
3133EMHR6	FFCB Note 0.25% Due 11/27/2023	5,000,000.00	12/16/2020 0.21%	5,005,900.00 5,002,821.02	96.29 2.96%	4,814,505.00 1,180.56	1.13% (188,316.02)	Aaa / AA+ AAA	1.41 1.39
3135G06H1	FNMA Note 0.25% Due 11/27/2023	5,000,000.00	12/16/2020 0.22%	5,004,400.00 5,002,103.81	96.41 2.87%	4,820,595.00 1,180.56	1.14% (181,508.81)	Aaa / AA+ AAA	1.41 1.39
3137EAFA2	FHLMC Note 0.25% Due 12/4/2023	2,900,000.00	12/02/2020 0.28%	2,897,129.00 2,898,633.98	96.30 2.92%	2,792,572.40 543.75	0.66% (106,061.58)	Aaa / AA+ AAA	1.43 1.41
3133EMRZ7	FFCB Note 0.25% Due 2/26/2024	1,845,000.00	02/22/2021 0.26%	1,844,335.80 1,844,633.02	95.88 2.81%	1,769,074.56 1,601.56	0.42% (75,558.46)	Aaa / AA+ AAA	1.66 1.63
3130AQF40	FHLB Note 1% Due 12/20/2024	2,000,000.00	12/21/2021 1.03%	1,998,240.00 1,998,547.28	95.06 3.09%	1,901,298.00 611.11	0.45% (97,249.28)	Aaa / AA+ AAA	2.48 2.41
3133ENKS8	FFCB Note 1.125% Due 1/6/2025	5,000,000.00	Various 1.22%	4,986,371.00 4,988,507.16	95.54 2.98%	4,777,075.00 26,562.51	1.13% (211,432.16)	Aaa / AA+ AAA	2.52 2.44
3133ENWH9	FFCB Note 2.9% Due 5/9/2025	5,000,000.00	05/03/2022 2.97%	4,990,250.00 4,990,721.49	99.67 3.02%	4,983,515.00 20,944.44	1.18% (7,206.49)	Aaa / AA+ AAA	2.86 2.71
Total Agency		**102,410,000.00**	**0.92%**	**102,322,035.70** **102,366,745.81**	**2.81%**	**99,983,457.51** **198,177.11**	**23.60%** **(2,383,288.30)**	**Aaa / AA+** **AAA**	**1.21** **1.18**
CASH									
90CHECK$1	Checking Deposit Bank Account	3,623,708.54	Various 0.00%	3,623,708.54 3,623,708.54	1.00 0.00%	3,623,708.54 0.00	0.85% 0.00	NR / NR NR	0.00 0.00

Holdings Report

As of June 30, 2022

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CASH									
90CASH$00	Cash Custodial Cash Account	2,551,885.86	Various 0.00%	2,551,885.86 2,551,885.86	1.00 0.00%	2,551,885.86 0.00	0.60% 0.00	NR / NR NR	0.00 0.00
Total Cash		**6,175,594.40**	**N/A**	**6,175,594.40** **6,175,594.40**	**0.00%**	**6,175,594.40** **0.00**	**1.45%** **0.00**	**NR / NR** **NR**	**0.00** **0.00**
CORPORATE									
69371RQ33	Paccar Financial Corp Note 2% Due 9/26/2022	1,000,000.00	09/23/2019 2.04%	998,780.00 999,903.16	99.83 2.70%	998,313.00 5,277.78	0.24% (1,590.16)	A1 / A+ NR	0.24 0.24
89236TEL5	Toyota Motor Credit Corp Note 2.7% Due 1/11/2023	1,500,000.00	05/20/2019 2.66%	1,501,890.00 1,500,275.68	99.69 3.29%	1,495,384.50 19,125.00	0.36% (4,891.18)	A1 / A+ A+	0.53 0.52
69371RQ41	Paccar Financial Corp Note 1.9% Due 2/7/2023	1,000,000.00	10/31/2019 1.90%	999,950.00 999,990.70	99.18 3.29%	991,770.00 7,600.00	0.24% (8,220.70)	A1 / A+ NR	0.61 0.59
89236TJD8	Toyota Motor Credit Corp Note 0.4% Due 4/6/2023	700,000.00	04/06/2021 0.44%	699,433.00 699,782.40	98.10 2.92%	686,697.20 661.11	0.16% (13,085.20)	A1 / A+ A+	0.77 0.75
931142DH3	Wal-Mart Stores Callable Note Cont 1/11/2023 2.55% Due 4/11/2023	1,500,000.00	05/01/2019 2.62%	1,495,965.00 1,499,203.66	100.00 2.54%	1,500,072.00 8,500.00	0.36% 868.34	Aa2 / AA AA	0.78 0.52
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	1,000,000.00	05/20/2019 2.65%	990,790.00 998,045.59	99.53 2.97%	995,304.00 3,866.67	0.24% (2,741.59)	Aaa / AA+ NR	0.84 0.82
037833DV9	Apple Inc Note 0.75% Due 5/11/2023	1,000,000.00	06/26/2020 0.46%	1,008,300.00 1,002,493.97	98.13 2.96%	981,284.00 1,041.67	0.23% (21,209.97)	Aaa / AA+ NR	0.86 0.85
57629WCU2	Mass Mutual Global funding Note 0.85% Due 6/9/2023	2,000,000.00	12/22/2021 0.73%	2,003,420.00 2,002,217.50	97.71 3.34%	1,954,266.00 1,038.89	0.46% (47,951.50)	Aa3 / AA+ AA+	0.94 0.92
24422EVN6	John Deere Capital Corp Note 0.45% Due 1/17/2024	1,960,000.00	03/01/2021 0.47%	1,958,608.40 1,959,250.47	95.94 3.16%	1,880,427.92 4,018.00	0.44% (78,822.55)	A2 / A A	1.55 1.52
69371RR24	Paccar Financial Corp Note 0.35% Due 2/2/2024	540,000.00	01/28/2021 0.39%	539,373.60 539,667.64	95.47 3.30%	515,522.34 782.25	0.12% (24,145.30)	A1 / A+ NR	1.59 1.56
89114QCQ9	Toronto Dominion Bank Note 0.55% Due 3/4/2024	2,000,000.00	04/20/2021 0.58%	1,998,520.00 1,999,134.90	95.24 3.50%	1,904,754.00 3,575.00	0.45% (94,380.90)	A1 / A AA-	1.68 1.64

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
808513BN4	Charles Schwab Corp Callable Note Cont 2/18/2024 0.75% Due 3/18/2024	2,300,000.00	Various 0.71%	2,302,710.00 2,301,517.55	95.98 3.17%	2,207,572.20 4,935.41	0.52% (93,945.35)	A2 / A A	1.72 1.68
023135BW5	Amazon.com Inc Note 0.45% Due 5/12/2024	2,500,000.00	12/01/2021 0.93%	2,470,800.00 2,477,682.15	95.16 3.14%	2,378,922.50 1,531.25	0.56% (98,759.65)	A1 / AA AA-	1.87 1.83
14913R2L0	Caterpillar Financial Service Note 0.45% Due 5/17/2024	3,430,000.00	Various 2.47%	3,289,043.07 3,303,407.34	94.79 3.33%	3,251,461.64 1,886.50	0.77% (51,945.70)	A2 / A A	1.88 1.84
24422EVQ9	John Deere Capital Corp Note 0.45% Due 6/7/2024	1,860,000.00	06/07/2021 0.49%	1,857,675.00 1,858,496.09	94.54 3.39%	1,758,471.90 558.00	0.41% (100,024.19)	A2 / A A	1.94 1.90
79466LAG9	Salesforce.com Inc Callable Note Cont 7/15/2022 0.625% Due 7/15/2024	1,735,000.00	12/07/2021 1.04%	1,716,713.10 1,720,644.11	94.71 3.33%	1,643,242.79 5,000.17	0.39% (77,401.32)	A2 / A+ NR	2.04 1.99
59217GEP0	Metlife Note 0.7% Due 9/27/2024	2,000,000.00	12/01/2021 1.20%	1,972,600.00 1,978,191.84	93.46 3.77%	1,869,170.00 3,655.56	0.44% (109,021.84)	Aa3 / AA- AA-	2.25 2.18
74153WCQ0	Pricoa Global Funding Note 1.15% Due 12/6/2024	1,530,000.00	12/01/2021 1.19%	1,528,424.10 1,528,719.40	94.02 3.75%	1,438,437.15 1,221.88	0.34% (90,282.25)	Aa3 / AA- AA-	2.44 2.36
89236TJT3	Toyota Motor Credit Corp Note 1.45% Due 1/13/2025	1,885,000.00	01/10/2022 1.50%	1,882,474.10 1,882,863.59	94.86 3.59%	1,788,139.28 12,755.17	0.42% (94,724.31)	A1 / A+ A+	2.54 2.44
64952WEK5	New York Life Global Note 1.45% Due 1/14/2025	3,265,000.00	01/11/2022 1.49%	3,261,473.80 3,262,014.31	94.49 3.75%	3,085,056.06 21,961.66	0.73% (176,958.25)	Aaa / AA+ AAA	2.55 2.44
78016EYM3	Royal Bank of Canada Note 1.6% Due 1/21/2025	3,000,000.00	01/12/2022 1.60%	3,000,000.00 3,000,000.00	94.73 3.78%	2,841,957.00 21,333.33	0.67% (158,043.00)	A1 / A AA-	2.56 2.45
69371RQ66	Paccar Financial Corp Note 1.8% Due 2/6/2025	2,000,000.00	04/18/2022 2.99%	1,936,520.00 1,940,987.80	95.65 3.57%	1,913,054.00 14,500.00	0.45% (27,933.80)	A1 / A+ NR	2.61 2.49
46647PBY1	JP Morgan Chase & Co Callable Note Cont 2/16/2024 0.563% Due 2/16/2025	2,575,000.00	Various 0.77%	2,568,630.00 2,570,614.92	94.30 3.37%	2,428,178.65 5,436.47	0.57% (142,436.27)	A2 / A- AA-	2.64 2.56
59217GEW5	Metlife Note 2.8% Due 3/21/2025	960,000.00	03/14/2022 2.83%	959,145.60 959,225.12	97.37 3.82%	934,757.76 7,466.67	0.22% (24,467.36)	Aa3 / AA- AA-	2.73 2.57
023135CE4	Amazon.com Inc Note 3% Due 4/13/2025	2,000,000.00	04/18/2022 2.93%	2,003,780.00 2,003,530.08	99.08 3.35%	1,981,504.00 13,000.00	0.47% (22,026.08)	A1 / AA AA-	2.79 2.63
87612EBL9	Target Corp Callable Note Cont 4/15/25 2.25% Due 4/15/2025	1,000,000.00	02/22/2022 2.10%	1,004,390.00 1,003,889.97	96.62 3.53%	966,156.00 4,750.00	0.23% (37,733.97)	A2 / A A	2.79 2.66

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CORPORATE									
06406RBC0	Bank of NY Mellon Corp Callable Note Cont 3/25/2025 3.35% Due 4/25/2025	2,740,000.00	04/19/2022 3.35%	2,739,616.40 2,739,639.52	98.96 3.74%	2,711,482.08 16,573.19	0.64% (28,157.44)	A1 / A AA-	2.82 2.65
037833DT4	Apple Inc Callable Note Cont 4/11/2025 1.125% Due 5/11/2025	2,000,000.00	04/26/2022 2.95%	1,894,800.00 1,900,871.06	93.95 3.36%	1,879,038.00 3,125.00	0.44% (21,833.06)	Aaa / AA+ NR	2.87 2.77
89115A2A9	Toronto-Dominion Bank Note 3.766% Due 6/6/2025	2,000,000.00	06/02/2022 3.70%	2,003,660.00 2,003,583.05	99.34 4.01%	1,986,718.00 4,812.11	0.47% (16,865.05)	A1 / A NR	2.94 2.74
06406RBF3	Bank of NY Mellon Corp Callable Note Cont 6/13/2024 3.43% Due 6/13/2025	1,095,000.00	06/08/2022 3.00%	1,095,000.00 1,095,000.00	99.28 3.26%	1,087,088.63 1,877.93	0.26% (7,911.37)	A1 / A AA-	2.96 2.78
46647PDE3	JP Morgan Chase & Co Callable Note Cont 6/14/2025 3.845% Due 6/14/2025	1,500,000.00	06/08/2022 3.40%	1,500,480.00 1,500,472.55	99.09 3.73%	1,486,305.00 2,723.54	0.35% (14,167.55)	A2 / A- AA-	2.96 2.80
857477BR3	State Street Bank Callable Note Cont 2/6/2025 1.746% Due 2/6/2026	2,900,000.00	Various 2.83%	2,815,820.00 2,819,724.00	94.48 3.82%	2,740,007.00 20,253.60	0.65% (79,717.00)	A1 / A AA-	3.61 3.40
Total Corporate		**58,475,000.00**	**1.85%**	**57,998,785.17** **58,051,040.12**	**3.44%**	**56,280,514.60** **224,843.81**	**13.31%** **(1,770,525.52)**	**A1 / A+** **AA-**	**2.15** **2.05**
LAIF									
90LAIF$00	Local Agency Investment Fund State Pool	75,000,000.00	Various 0.94%	75,000,000.00 75,000,000.00	1.00 0.94%	75,000,000.00 128,783.09	17.70% 0.00	NR / NR NR	0.00 0.00
Total LAIF		**75,000,000.00**	**0.94%**	**75,000,000.00** **75,000,000.00**	**0.94%**	**75,000,000.00** **128,783.09**	**17.70%** **0.00**	**NR / NR** **NR**	**0.00** **0.00**
LOCAL GOV INVESTMENT POOL									
90CAMP$00	California Asset Mgmt Program CAMP	30,000,000.00	Various 1.40%	30,000,000.00 30,000,000.00	1.00 1.40%	30,000,000.00 0.00	7.07% 0.00	NR / AAA NR	0.00 0.00
Total Local Gov Investment Pool		**30,000,000.00**	**1.40%**	**30,000,000.00** **30,000,000.00**	**1.40%**	**30,000,000.00** **0.00**	**7.07%** **0.00**	**NR / AAA** **NR**	**0.00** **0.00**

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
MONEY MARKET FUND									
261908107	Dreyfus Trsy/Agcy Cash Management 521	612,645.81	Various 1.33%	612,645.81 612,645.81	1.00 1.33%	612,645.81 0.00	0.14% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund		**612,645.81**	**1.33%**	**612,645.81 612,645.81**	**1.33%**	**612,645.81 0.00**	**0.14% 0.00**	**Aaa / AAA NR**	**0.00 0.00**
SUPRANATIONAL									
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	2,000,000.00	05/04/2018 2.93%	1,904,540.00 1,995,497.17	99.93 2.07%	1,998,664.00 10,402.78	0.47% 3,166.83	Aaa / AAA AAA	0.21 0.20
459058JV6	Intl. Bank Recon & Development Note 0.125% Due 4/20/2023	3,310,000.00	04/13/2021 0.23%	3,303,148.30 3,307,249.93	97.86 2.83%	3,239,258.68 816.01	0.76% (67,991.25)	Aaa / AAA AAA	0.81 0.79
4581X0DM7	Inter-American Dev Bank Note 0.5% Due 5/24/2023	2,500,000.00	04/23/2021 0.21%	2,515,200.00 2,506,565.92	97.88 2.90%	2,446,975.00 1,284.72	0.58% (59,590.92)	Aaa / AAA NR	0.90 0.89
459058JM6	Intl. Bank Recon & Development Note 0.25% Due 11/24/2023	1,090,000.00	11/17/2020 0.32%	1,087,656.50 1,088,906.37	96.44 2.86%	1,051,187.28 280.07	0.25% (37,719.09)	Aaa / AAA AAA	1.40 1.38
Total Supranational		**8,900,000.00**	**0.84%**	**8,810,544.80 8,898,219.39**	**2.68%**	**8,736,084.96 12,783.58**	**2.06% (162,134.43)**	**Aaa / AAA AAA**	**0.77 0.75**
TIME DEPOSIT									
90MEND$15	Savings Bank of Mendocino Coun Time Deposit 0.5% Due 3/3/2023	250,000.00	03/03/2022 0.50%	250,000.00 250,000.00	100.00 0.50%	250,000.00 416.67	0.06% 0.00	NR / NR NR	0.67 0.68
99MEND$15	Community First Credit Union Time Deposit 0.449% Due 3/20/2023	250,000.00	03/20/2022 0.45%	250,000.00 250,000.00	100.00 0.45%	250,000.00 321.16	0.06% 0.00	NR / NR NR	0.72 0.73
Total Time Deposit		**500,000.00**	**0.47%**	**500,000.00 500,000.00**	**0.47%**	**500,000.00 737.83**	**0.12% 0.00**	**NR / NR NR**	**0.70 0.70**

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US TREASURY									
9128282P4	US Treasury Note 1.875% Due 7/31/2022	3,000,000.00	12/28/2018 2.53%	2,932,851.56 2,998,459.90	100.06 1.17%	3,001,797.00 23,463.40	0.71% 3,337.10	Aaa / AA+ AAA	0.08 0.09
912828L24	US Treasury Note 1.875% Due 8/31/2022	6,000,000.00	Various 1.30%	6,032,929.69 6,005,613.38	100.05 1.57%	6,002,940.00 37,601.90	1.42% (2,673.38)	Aaa / AA+ AAA	0.17 0.17
91282CAR2	US Treasury Note 0.125% Due 10/31/2022	4,000,000.00	10/29/2020 0.15%	3,997,968.75 3,999,659.60	99.34 2.11%	3,973,644.00 842.39	0.94% (26,015.60)	Aaa / AA+ AAA	0.34 0.33
912828S92	US Treasury Note 1.25% Due 7/31/2023	3,000,000.00	11/27/2019 1.62%	2,960,507.81 2,988,358.65	98.24 2.91%	2,947,149.00 15,642.27	0.70% (41,209.65)	Aaa / AA+ AAA	1.08 1.06
912828T26	US Treasury Note 1.375% Due 9/30/2023	3,000,000.00	12/19/2019 1.71%	2,963,554.69 2,987,957.20	98.11 2.92%	2,943,399.00 10,368.85	0.70% (44,558.20)	Aaa / AA+ AAA	1.25 1.22
912828T91	US Treasury Note 1.625% Due 10/31/2023	3,500,000.00	Various 0.86%	3,589,628.91 3,535,110.46	98.32 2.92%	3,441,210.50 9,582.20	0.81% (93,899.96)	Aaa / AA+ AAA	1.34 1.30
91282CAW1	US Treasury Note 0.25% Due 11/15/2023	5,000,000.00	04/26/2021 0.25%	4,999,414.06 4,999,684.40	96.43 2.92%	4,821,290.00 1,596.47	1.14% (178,394.40)	Aaa / AA+ AAA	1.38 1.35
91282CBA8	US Treasury Note 0.125% Due 12/15/2023	4,000,000.00	12/17/2020 0.19%	3,992,343.75 3,996,270.03	96.02 2.93%	3,840,780.00 218.58	0.90% (155,490.03)	Aaa / AA+ AAA	1.46 1.44
91282CBE0	US Treasury Note 0.125% Due 1/15/2024	4,000,000.00	01/12/2021 0.24%	3,985,781.25 3,992,689.36	95.80 2.93%	3,832,032.00 2,306.63	0.90% (160,657.36)	Aaa / AA+ AAA	1.55 1.52
91282CBM2	US Treasury Note 0.125% Due 2/15/2024	4,000,000.00	Various 0.26%	3,984,375.01 3,991,431.70	95.61 2.91%	3,824,220.00 1,878.46	0.90% (167,211.70)	Aaa / AA+ AAA	1.63 1.60
91282CBR1	US Treasury Note 0.25% Due 3/15/2024	4,000,000.00	03/24/2021 0.30%	3,994,062.50 3,996,593.87	95.55 2.94%	3,822,188.00 2,934.78	0.90% (174,405.87)	Aaa / AA+ AAA	1.71 1.68
91282CBV2	US Treasury Note 0.375% Due 4/15/2024	5,000,000.00	04/14/2021 0.36%	5,001,757.81 5,001,048.91	95.54 2.95%	4,776,955.00 3,944.67	1.13% (224,093.91)	Aaa / AA+ AAA	1.79 1.76
91282CCC3	US Treasury Note 0.25% Due 5/15/2024	1,750,000.00	05/27/2021 0.31%	1,747,128.91 1,748,186.68	95.12 2.94%	1,664,619.25 558.76	0.39% (83,567.43)	Aaa / AA+ AAA	1.88 1.84
91282CCG4	US Treasury Note 0.25% Due 6/15/2024	2,500,000.00	06/10/2021 0.33%	2,494,238.28 2,496,241.21	94.91 2.94%	2,372,755.00 273.22	0.56% (123,486.21)	Aaa / AA+ AAA	1.96 1.93
91282CCL3	US Treasury Note 0.375% Due 7/15/2024	4,000,000.00	08/05/2021 0.37%	4,001,093.75 4,000,758.70	94.94 2.95%	3,797,500.00 6,919.89	0.90% (203,258.70)	Aaa / AA+ AAA	2.04 2.00
91282CCT6	US Treasury Note 0.375% Due 8/15/2024	4,000,000.00	09/24/2021 0.52%	3,983,750.00 3,988,024.69	94.68 2.97%	3,787,344.00 5,635.36	0.89% (200,680.69)	Aaa / AA+ AAA	2.13 2.09

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US TREASURY									
912828YE4	US Treasury Note 1.25% Due 8/31/2024	6,000,000.00	04/28/2022 2.73%	5,800,078.13 5,814,809.22	96.43 2.96%	5,785,548.00 25,067.93	1.37% (29,261.22)	Aaa / AA+ AAA	2.17 2.11
91282CCX7	US Treasury Note 0.375% Due 9/15/2024	3,300,000.00	09/24/2021 0.54%	3,283,886.72 3,288,004.23	94.47 2.98%	3,117,470.40 3,631.79	0.74% (170,533.83)	Aaa / AA+ AAA	2.21 2.17
91282CDB4	US Treasury Note 0.625% Due 10/15/2024	6,500,000.00	Various 0.75%	6,478,105.47 6,482,051.39	94.82 2.98%	6,163,573.00 8,546.79	1.45% (318,478.39)	Aaa / AA+ AAA	2.30 2.24
912828YM6	US Treasury Note 1.5% Due 10/31/2024	6,000,000.00	04/27/2022 2.67%	5,830,781.25 5,842,591.50	96.70 2.98%	5,801,718.00 15,163.04	1.37% (40,873.50)	Aaa / AA+ AAA	2.34 2.26
91282CDH1	US Treasury Note 0.75% Due 11/15/2024	6,500,000.00	Various 0.95%	6,462,460.94 6,469,328.22	94.90 2.99%	6,168,396.00 6,226.22	1.45% (300,932.22)	Aaa / AA+ AAA	2.38 2.32
91282CDN8	US Treasury Note 1% Due 12/15/2024	5,000,000.00	01/04/2022 1.02%	4,996,484.38 4,997,063.23	95.32 2.99%	4,765,820.00 2,185.79	1.12% (231,243.23)	Aaa / AA+ AAA	2.46 2.40
912828Z52	US Treasury Note 1.375% Due 1/31/2025	5,000,000.00	01/05/2022 1.11%	5,040,039.06 5,033,752.82	96.00 2.99%	4,800,000.00 28,677.49	1.14% (233,752.82)	Aaa / AA+ AAA	2.59 2.50
912828ZC7	US Treasury Note 1.125% Due 2/28/2025	5,000,000.00	01/07/2022 1.21%	4,987,304.69 4,989,211.76	95.27 2.98%	4,763,670.00 18,800.95	1.13% (225,541.76)	Aaa / AA+ AAA	2.67 2.59
912828ZF0	US Treasury Note 0.5% Due 3/31/2025	5,000,000.00	04/05/2021 0.67%	4,966,601.56 4,976,953.93	93.43 3.01%	4,671,290.00 6,284.15	1.10% (305,663.93)	Aaa / AA+ AAA	2.75 2.69
912828ZL7	US Treasury Note 0.375% Due 4/30/2025	4,000,000.00	01/13/2021 0.39%	3,996,875.00 3,997,937.94	92.91 3.00%	3,716,248.00 2,527.17	0.88% (281,689.94)	Aaa / AA+ AAA	2.84 2.78
912828ZT0	US Treasury Note 0.25% Due 5/31/2025	4,500,000.00	07/16/2021 0.61%	4,437,597.66 4,452,899.72	92.38 3.00%	4,157,050.50 952.87	0.98% (295,849.22)	Aaa / AA+ AAA	2.92 2.87
912828ZW3	US Treasury Note 0.25% Due 6/30/2025	6,000,000.00	Various 1.73%	5,713,945.32 5,740,816.56	92.17 3.00%	5,530,314.00 40.76	1.30% (210,502.56)	Aaa / AA+ AAA	3.00 2.95
91282CAB7	US Treasury Note 0.25% Due 7/31/2025	4,250,000.00	10/06/2021 0.75%	4,169,482.42 4,184,915.44	91.92 3.01%	3,906,515.00 4,431.98	0.92% (278,400.44)	Aaa / AA+ AAA	3.09 3.03
912828K74	US Treasury Note 2% Due 8/15/2025	5,000,000.00	04/08/2022 2.79%	4,875,195.31 4,883,467.96	96.99 3.02%	4,849,415.00 37,569.06	1.15% (34,052.96)	Aaa / AA+ AAA	3.13 2.98
91282CAJ0	US Treasury Note 0.25% Due 8/31/2025	4,750,000.00	03/22/2022 2.42%	4,411,933.59 4,438,828.29	91.67 3.03%	4,354,230.00 3,969.09	1.03% (84,598.29)	Aaa / AA+ AAA	3.17 3.11

Holdings Report

As of June 30, 2022

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
9128285C0	US Treasury Note 3% Due 9/30/2025	6,000,000.00	04/21/2022 2.96%	6,008,437.50 6,007,967.63	99.96 3.01%	5,997,888.00 45,245.90	1.42% (10,079.63)	Aaa / AA+ AAA	3.25 3.05
9128285J5	US Treasury Note 3% Due 10/31/2025	6,000,000.00	06/09/2022 3.05%	5,990,859.38 5,991,014.31	99.95 3.02%	5,996,952.00 30,326.09	1.42% 5,937.69	Aaa / AA+ AAA	3.34 3.14
912828M56	US Treasury Note 2.25% Due 11/15/2025	3,000,000.00	06/13/2022 3.44%	2,885,507.81 2,887,064.90	97.51 3.03%	2,925,234.00 8,620.92	0.69% 38,169.10	Aaa / AA+ AAA	3.38 3.21
Total US Treasury		**152,550,000.00**	**1.28%**	**150,996,962.92** **151,204,767.79**	**2.86%**	**146,321,154.65** **372,035.82**	**34.55%** **(4,883,613.14)**	**Aaa / AA+** **AAA**	**2.18** **2.11**
TOTAL PORTFOLIO		**434,623,240.21**	**1.19%**	**432,416,568.80** **432,809,013.32**	**2.43%**	**423,609,451.93** **937,361.24**	**100.00%** **(9,199,561.39)**	**Aa1 / AA+** **AAA**	**1.34** **1.30**
TOTAL MARKET VALUE PLUS ACCRUED						**424,546,813.17**			