

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 24, 2020

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

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

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

\$9,000,000*
BELLEVUE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2020, Series A
(Bank Qualified)

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

Authority and Purpose. The captioned General Obligation Bonds, Election of 2020, Series A (the "Bonds") are being issued by the Bellevue Union School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on April 21, 2020. The Bonds were authorized at an election of the registered voters of the District held on March 3, 2020, which authorized the issuance of \$28,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities (the "2020 Authorization"). The Bonds are the first series of bonds to be issued under the 2020 Authorization. See "THE BONDS – Authority for Issuance" and "THE FINANCING PLAN" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Sonoma County (the "County"). The County Board of Supervisors is empowered and is 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 that are similarly secured by *ad valorem* tax levies. See "SECURITY FOR THE BONDS."

Payments. The Bonds are dated the date of delivery. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing August 1, 2020. Payments of principal of and interest on the Bonds will be paid by the County of Sonoma, through its agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as Paying Agent, to The Depository Trust Company ("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 – Optional Redemption" and "-Mandatory Sinking Fund Redemption."

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 DTC. Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and "APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

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



MATURITY SCHEDULE

(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kronick Moskowitz Tiedemann & Girard, A Professional Corporation, Sacramento, California is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about May 20, 2020.

RAYMOND JAMES®

The date of this Official Statement is _____, 2020.

**Preliminary, subject to change.*

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

MATURITY SCHEDULE*

BELLEVUE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2020, Series A
(Bank Qualified)

Base CUSIP[†]: _____

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

*Preliminary; subject to change.

[†] CUSIP Copyright 2020, CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Global Market Intelligence. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

**BELLEVUE UNION SCHOOL DISTRICT
SONOMA COUNTY, CALIFORNIA**

BOARD OF TRUSTEES

Lisa Reyes, *President*
John Jarvis, *Vice President*
Stephanie Merrida-Grant, *President*
Jamie Padilla, *Trustee*
Adele Walker, *Trustee*

DISTRICT ADMINISTRATION

David Alexander, Ed.D., *Superintendent*
Chris Kim, Ed.D, *Chief Business Officer*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

County of Sonoma, through its agent,
The Bank of New York Mellon Trust Company, N.A.,
Dallas, Texas

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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 in accordance with, and as a part of, its responsibilities to investors under 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 overallocate 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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE FINANCING PLAN.....	3
SOURCES AND USES OF FUNDS	3
THE BONDS	4
Authority for Issuance	4
Description of the Bonds	4
Paying Agent	4
Optional Redemption.....	5
Mandatory Sinking Fund Redemption	5
Notice of Redemption	5
Partial Redemption of Bonds	6
Right to Rescind Notice of Redemption.....	6
Book-Entry Only System	6
Registration, Transfer and Exchange of Bonds.....	6
Defeasance	7
APPLICATION OF PROCEEDS OF BONDS	8
Building Fund.....	8
Debt Service Fund	8
Investment of Proceeds of Bonds.....	9
DEBT SERVICE SCHEDULES.....	10
SECURITY FOR THE BONDS	12
<i>Ad Valorem</i> Taxes	12
Debt Service Fund	13
Not a County Obligation	13
Disclosure Relating to COVID-19	13
PROPERTY TAXATION	16
Property Tax Collection Procedures.....	16
Taxation of State-Assessed Utility Property	17
Assessed Valuation	17
Reassessments and Appeals of Assessed Value	20
Typical Tax Rates.....	21
Secured Tax Levies and Delinquencies - Teeter Plan	21
Major Taxpayers.....	23
Direct and Overlapping Debt	24
BOND INSURANCE	25
Bond Insurance Policy.....	25
Assured Guaranty Municipal Corp.....	25
TAX MATTERS.....	27
Tax Exemption.....	27
Other Tax Considerations.....	28
Form of Opinion.....	29
CERTAIN LEGAL MATTERS	29
Legality for Investment	29
Absence of Litigation	29
Compensation of Certain Professionals	29
CONTINUING DISCLOSURE.....	30
RATINGS	30
UNDERWRITING.....	31
ADDITIONAL INFORMATION	31
EXECUTION	31
APPENDIX A - GENERAL AND FINANCIAL INFORMATION FOR BELLEVUE UNION SCHOOL DISTRICT	A-1
APPENDIX B - BELLEVUE UNION SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018-19.....	B-1
APPENDIX C - ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA ROSA AND SONOMA COUNTY	C-1
APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM.....	F-1
APPENDIX G - SONOMA COUNTY INVESTMENT POLICY AND REPORT	G-1
APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY	H-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$9,000,000*
BELLEVUE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2020, Series A
(Bank Qualified)

INTRODUCTION

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 captioned General Obligation Bonds, Election of 2020, Series A (the “**Bonds**”) by the Bellevue Union School District (the “**District**”) of Sonoma County (the “**County**”), California (the “**State**”).

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 was established in 1919 and provides education services to the southwest portion of the City of Santa Rosa and certain unincorporated areas in Sonoma County, California. The District covers an area of approximately 22 square miles, and operates 4 elementary schools (grades K-6), and one early learning center (Pre-School ages 3-5). Enrollment is approximately for 1,615 students in fiscal year 2019-20, and draws from a diverse range of socioeconomic backgrounds. The District’s total assessed value in fiscal year 2019-20 is \$3,332,321,032. See also Appendix C hereto for demographic and other statistical information regarding the City of Santa Rosa and the County.

Purpose. The net proceeds of the Bonds will be used to finance school construction and improvements authorized pursuant to a bond measure approved by the voters of the District (the “**2020 Authorization**”) at an election held in the District on March 3, 2020 (the “**Bond Election**”). The Bonds are the first series of bonds issued pursuant to the 2020 Authorization. See “THE FINANCING PLAN” herein.

Authority for Issuance of the Bonds. The Bonds will be issued pursuant to the 2020 Authorization, certain provisions of the Government Code of the State, commencing with Section 53506 thereof (the “**Bond Law**”), and a resolution adopted by the Board of Trustees of the District on April 21, 2020 (the “**Bond Resolution**”). See “THE BONDS - Authority for Issuance” herein.

*Preliminary; subject to change.

Payment and Registration of the Bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be dated their date of original issuance and delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple of \$5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “THE BONDS” and “APPENDIX F – Book-Entry Only System.”

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Optional Redemption” and “– Mandatory Sinking Fund Redemption.”

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.” The District has other series of general obligation bonds outstanding that are payable from *ad valorem* taxes levied on taxable property in the District. See “DEBT SERVICE SCHEDULES” and “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations- General Obligation Bonds” in Appendix B.

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

Tax Matters; Bank 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 although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from 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.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the Superintendent’s Office at Bellevue Union School District, 3150 Education Drive, Santa Rosa, California 95407. The District may impose a charge for copying, mailing and handling.

THE FINANCING PLAN

The proceeds of the Bonds will be used to finance projects approved by the voters pursuant to the 2020 Authorization, including related costs of issuance. The abbreviated form of the ballot measure (limited to 75 words or less) is as follows:

“To improve the quality of local schools without increasing estimated tax rates; replace deteriorating plumbing systems; improve student access to computers and modern technology; and modernize/renovate classrooms, restrooms and school facilities; shall Bellevue Union School District’s measure be adopted authorizing \$28,000,000 in bonds at legal interest rates, generating approximately \$1,800,000 annually while bonds are outstanding with levies of approximately 3 cents per \$100 assessed value, with annual audits, citizens’ oversight and no money for salaries?”

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with the full text of Ballot Measure, which, among other items, included a project list, identifying to District voters the specific projects eligible for funding from proceeds of bonds approved at the Bond Election. The Bonds will be the first series of bond issued pursuant to the 2020 Authorization. See “DEBT SERVICE SCHEDULE – The Bonds” herein for the debt service due with respect to the Bonds.

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

Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance⁽²⁾

Total Uses

(1) Estimated costs of issuance include, but are not limited to, Underwriter’s discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, Financial Advisor, Paying Agent, bond insurance premium, and the rating agency.

THE BONDS

Authority for Issuance

The Bonds will be issued under the Bond Law and the Bond Resolution.

Description of the Bonds

The Bonds are being issued as bonds which bear current interest. The Bonds mature in the years and in the amounts as 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” below and “APPENDIX F – Book-Entry Only System.”

The Bonds shall be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, an “**Interest Payment Date**”). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2020, in which event it will bear interest from the Closing Date 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 Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Paying Agent

The County of Sonoma, through its designated agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the registrar, transfer agent, and paying agent for the Bonds (the “**Paying Agent**”). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. 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 redemption of the Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the County 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.

Optional Redemption

The Bonds maturing on or before August 1, 20__ are not subject to optional 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.

For the purpose of selection for optional redemption, the Bonds will be deemed to consist of \$5,000 portions (principal amount), and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 20__ and August 1, 20__ (the “**Term Bonds**”), are subject to mandatory sinking fund redemption on August 1 of each years in accordance with the respective schedule set forth below for such Term Bonds. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking payments with respect to such Term Bonds will 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.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
---------------------------------------	------------------------------------

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
---------------------------------------	------------------------------------

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District, to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books. Notice of any redemption of Bonds shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed

in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

Neither 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 the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

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.

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company ("**DTC**"), which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

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 Register 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 the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in San Francisco, 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 Bond Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Bond 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

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 County and 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.

As used in the foregoing defeasance provision, the term “**Federal Securities**” means non-callable United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County for credit of the fund created and established by the County Office of Education in the Bond Resolution and known as the “Bellevue Union School District, General Obligation Bonds, Election of 2020, 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. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

As described herein under the heading “SECURITY FOR THE BONDS - Debt Service Fund,” the County Office of Education will establish a debt service fund for the Bonds to be designated the “Bellevue Union School District, General Obligation Bonds, Election of 2020, Series A Debt Service Fund” (the “**Debt Service Fund**”). Accrued interest and premium, if any, received by the County from the sale of the Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Bonds when due. Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District’s general fund upon the order of the County, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Bonds, shall be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. All amounts deposited in the Building Fund of the District shall be invested at the sole discretion of the County Treasurer. See Appendix G for the County's current Investment Policy and recent quarterly report. The County neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds.

DEBT SERVICE SCHEDULES

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

**BELLEVUE UNION SCHOOL DISTRICT
Series A Bonds Debt Service Schedule**

Bond Year Ending	Principal	Interest	Total
08/01/20			
08/01/21			
08/01/22			
08/01/23			
08/01/24			
08/01/25			
08/01/26			
08/01/27			
08/01/28			
08/01/29			
08/01/30			
08/01/31			
08/01/32			
08/01/33			
08/01/34			
08/01/35			
08/01/36			
08/01/37			
08/01/38			
08/01/39			
08/01/40			
08/01/41			
08/01/42			
08/01/43			
08/01/44			
08/01/45			
08/01/46			
08/01/47			
08/01/48			
08/01/49			
Total			

Aggregate General Obligation Bond Debt Service Schedule. The following table shows the debt service schedule with respect to all outstanding general obligation bonds of the District, together with debt service due on the Bonds, assuming no optional redemptions.

**BELLEVUE UNION SCHOOL DISTRICT
Combined General Obligation Bonds Debt Service Schedule**

Bond Year Ending August 1	Election of 1996 Bonds	Election of 2008 Bonds*	Election of 2014 Bonds	Election of 2020, Series A Bonds	Total Debt Service
2020	\$1,770,000.00	\$860,712.50	\$487,000.00		
2021	1,895,000.00	889,950.00	505,050.00		
2022	1,915,000.00	912,650.00	527,500.00		
2023	2,045,000.00	966,250.00	549,200.00		
2024	2,320,000.00	982,050.00	570,150.00		
2025	--	1,011,450.00	590,350.00		
2026	--	1,053,850.00	614,800.00		
2027	--	1,088,650.00	638,350.00		
2028	--	5,486,050.00	653,550.00		
2029	--	1,287,950.00	668,250.00		
2030	--	1,301,350.00	682,100.00		
2031	--	1,356,600.00	693,550.00		
2032	--	1,409,900.00	708,800.00		
2033	--	1,457,700.00	722,800.00		
2034	--	1,515,000.00	735,400.00		
2035	--	1,575,000.00	751,600.00		
2036	--	1,625,000.00	766,200.00		
2037	--	1,690,000.00	779,150.00		
2038	--	1,760,000.00	798,650.00		
2039	--	1,787,882.30	811,450.00		
2040	--	1,860,573.78	827,600.00		
2041	--	1,935,000.00	847,550.00		
2042	--	1,920,000.00	865,450.00		
2043	--	--	881,400.00		
2044	--	--	900,200.00		
2045	--	--	916,700.00		
Total	\$9,945,000.00	\$35,733,568.58	\$18,492,800.00		

*Includes debt service on 2017 Refunding Bonds. Also, does not net out federal subsidy payments for a portion of interest coming due.

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 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). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, 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.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one

or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, and other economic conditions caused by epidemics or pandemics, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See also “- Disclosure Relating to COVID-19” below.

Debt Service Fund

The County will establish a 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 and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund promptly upon its 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 Office of Education 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.

Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid by the District, shall be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, shall be transferred to the District’s general fund upon the order of the County, as provided in Section 15234 of the Education Code.

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 of 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.

Disclosure Relating to COVID-19

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

President Trump’s declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multibillion-dollar Coronavirus relief package was signed into law by President Trump on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In an effort to calm the markets, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds. Further, on March 27, 2020, the United State Congress passed a \$2 trillion relief package responding to the Coronavirus emergency, which has been signed by President Trump, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to The

Education Stabilization Fund to provide Emergency Relief Grants to educational institutions and local educational agencies in their respective responses to COVID-19. This funding allocation includes approximately \$13.5 billion in formula funding to the Elementary and Secondary School Emergency Fund to make grants available to each state educational agency to facilitate K-12 schools' responses to COVID-19.

On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, 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.

On April 24, 2020, an additional \$484 billion federal aid package was signed, to provide additional funding for the local program for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds \$310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by \$60 billion, and directs \$75 billion to hospitals and \$25 billion to a new COVID-19 testing program.

At the State level, on March 15, 2020, Governor Newsom ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed \$1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes, which will stay in effect until further notice.

Local jurisdictions within the State also issued their own shelter-in-place orders. A number of Bay Area counties have formally extended their local orders through April 2020.

Impacts on Global and Local Economies; Potential Declines in State Revenues. The Coronavirus public health emergency is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies, including the economy of the State. Under the 2019-20 State Budget (defined below) approximately 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. California's Legislative Analyst's Office (the "LAO") published a report on March 18, 2020 which anticipates that the economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, including lower capital gains-related tax revenue due to the volatility in the financial markets, and the likelihood that a recession is forthcoming due to pullback in activity across wide swaths of the economy. Additional observations of the LAO were included in a report dated April 15, 2020. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - LAO Fiscal Perspective Report (March 18, 2020 and April 15, 2020): COVID-19." The District cannot predict the short or long term impacts the Coronavirus emergency will have on global, State-wide and local economies, which could impact District operations and local property values.

Suspension of Classroom Instruction. Governor Newsom's as well as local shelter in place orders have suspended classroom instruction indefinitely throughout California schools. Further, Governor Newsom has indicated that schools statewide may not open again for the remainder of the school year. Most school districts are undertaking distance learning efforts to provide continuing instruction to students. On March 13, 2020, Governor Newsom signed Executive Order N-26-20 providing for continued State funding to support distance learning or

independent study, providing subsidized school meals to low-income students, and continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours. Senate Bill 117 was passed on March 17, 2020, addressing attendance issues and instructional hour requirements, among other items, and effectively holding schools harmless from funding losses that could result from these issues under existing funding formulas. See Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – Education Funding Generally.” In addition, federal funding to school districts may be available under the CARES Act as a result of the Coronavirus emergency.

The District cannot predict all of the possible impacts that the Coronavirus emergency might have on its finances or programs or the credit ratings on its debt obligations, including on the local economy and property values. See “RATING.”

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

[Remainder of page intentionally left blank.]

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is 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 1-1/2% per month to the time of redemption. 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. 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. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% 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 District cannot predict if said procedures will be modified or amended in the future.

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 unitary property of regulated railways and 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

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

BELLEVUE UNION SCHOOL DISTRICT Assessed Valuation Fiscal Year 2020-09 through Fiscal Year 2019-20

<u>Fiscal Year</u>	<u>Local Secured</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2020-09	\$2,618,750,942	\$122,923,503	\$2,741,676,453	--%
2009-10	2,451,801,450	123,480,701	2,575,282,151	(6.1)
2010-11	2,288,314,393	124,163,314	2,412,477,707	(6.3)
2011-12	2,155,825,436	123,173,134	2,278,998,570	(5.5)
2012-13	2,141,096,216	119,335,735	2,260,431,951	(0.8)
2013-14	2,201,906,660	115,245,676	2,317,152,336	2.5
2014-15	2,395,013,984	117,931,895	2,512,945,879	8.4
2015-16	2,549,791,242	119,387,741	2,669,178,983	6.2
2016-17	2,654,752,675	128,169,122	2,782,921,797	4.3
2017-18	2,807,825,553	130,064,903	2,937,890,456	5.6
2018-19	3,035,826,119	138,531,401	3,174,357,520	8.0
2019-20	3,188,736,640	143,584,392	3,332,321,032	5.0

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. Economic Conditions; Disasters. 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 man-made or natural disasters such as earthquakes, fires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. See below “-2017 Tubbs Fire.” Seismic activity is also a risk in the region where the District is located. The Rodgers Creek-Hayward fault runs directly beneath Santa Rosa. See also “SECURITY FOR THE BONDS – Disclosure Relating to the COVID-19.” The District cannot predict or make any representations regarding the effects that any 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.

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

2017 Tubbs Fire. On October 8, 2017, the Tubbs Fire ignited in Sonoma County, and burned significant acreage including more than 1,000 structures in the region. The Tubbs Fire burned over 36,000 acres including territory in the City of Santa Rosa. Although the Tubbs Fire was, as well as other fires occurring in the region thereafter have been, in the vicinity of the District, no District facilities have been destroyed by the fires. Assessed valuations in the District have continued to increase notwithstanding the fires. The District cannot predict the impact that future fires, if any, could have on its assessed valuations, or other economic activities in and around the District.

Assessed Value by Jurisdiction. The following table shows a breakdown of assessed valuation by jurisdiction for the District for fiscal year 2019-20.

**BELLEVUE UNION SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2019-20**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Santa Rosa	\$1,909,540,601	57.30%	\$25,422,283,240	7.51%
City of Rohnert Park	174,485,003	5.24	\$5,865,910,059	2.97%
Unincorporated Sonoma County	<u>1,248,295,428</u>	<u>37.46</u>	\$38,493,537,392	3.24%
Total District	\$3,332,321,032	100.00%		
Sonoma County	\$3,332,321,032	100.00%	\$94,762,797,812	3.52%

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

Parcels by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2019-20.

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

	2019-20	% of	No. of	% of
<u>Non-Residential:</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total</u>	<u>Parcels</u>	<u>Total</u>
Agricultural/Rural	\$ 104,532,706	3.28%	222	3.20%
Commercial	492,925,371	15.46	180	2.59
Vacant Commercial	60,593,443	1.90	100	1.44
Industrial	392,688,325	12.31	268	3.86
Vacant Industrial	27,294,646	0.86	40	0.58
Government/Social/Institutional	6,546,199	0.21	35	0.50
Miscellaneous	6,683,415	0.21	36	0.52
Subtotal Non-Residential	<u>\$1,091,264,105</u>	<u>34.22%</u>	<u>881</u>	<u>12.69%</u>
<u>Residential:</u>				
Single Family Residence	\$1,590,946,590	49.89%	4,179	60.18%
Condominium/Townhouse	73,232,379	2.30	316	4.55
Hotel/Motel	59,579,249	1.87	11	0.16
Mobile Home	26,596,562	0.83	671	9.66
Mobile Home Park	30,172,355	0.95	15	0.22
2-4 Residential Units	92,149,152	2.89	212	3.05
5+ Residential Units/Apartments	160,132,599	5.02	45	0.65
Vacant Residential	64,663,649	2.03	614	8.84
Subtotal Residential	<u>\$2,097,472,535</u>	<u>65.78%</u>	<u>6,063</u>	<u>87.31%</u>
Total	\$3,188,736,640	100.00%	6,944	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Per Parcel Assessed Valuation of Single-Family Homes. The table below shows the per parcel assessed valuation of single-family homes in the District for fiscal year 2019-20.

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

	<u>No. of Parcels</u>	<u>2019-20 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	4,179	\$1,590,946,590	\$380,700	\$365,253

<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels (1)</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	90	2.154%	2.154%	\$ 3,451,166	0.217%	0.217%
\$50,000 - \$99,999	174	4.164	6.317	12,898,563	0.811	1.028
\$100,000 - \$149,999	152	3.637	9.955	19,156,163	1.204	2.232
\$150,000 - \$199,999	249	5.958	15.913	43,731,344	2.749	4.981
\$200,000 - \$249,999	332	7.944	23.857	75,527,166	4.747	9.728
\$250,000 - \$299,999	424	10.146	34.003	116,581,483	7.328	17.056
\$300,000 - \$349,999	508	12.156	46.159	164,435,026	10.336	27.391
\$350,000 - \$399,999	473	11.318	57.478	177,007,053	11.126	38.517
\$400,000 - \$449,999	504	12.060	69.538	213,329,752	13.409	51.926
\$450,000 - \$499,999	392	9.380	78.918	185,687,107	11.671	63.598
\$500,000 - \$549,999	311	7.442	86.360	162,834,357	10.235	73.833
\$550,000 - \$599,999	208	4.977	91.338	119,473,557	7.510	81.342
\$600,000 - \$649,999	132	3.159	94.496	82,217,291	5.168	86.510
\$650,000 - \$699,999	59	1.412	95.908	39,824,937	2.503	89.013
\$700,000 - \$749,999	37	0.885	96.793	26,824,483	1.686	90.699
\$750,000 - \$799,999	27	0.646	97.440	20,833,216	1.309	92.009
\$800,000 - \$849,999	23	0.550	97.990	18,913,411	1.189	93.198
\$850,000 - \$899,999	10	0.239	98.229	8,692,663	0.546	93.744
\$900,000 - \$949,999	10	0.239	98.469	9,219,363	0.579	94.324
\$950,000 - \$999,999	7	0.168	98.636	6,757,246	0.425	94.748
\$1,000,000 and greater	57	1.364	100.000	83,551,243	5.252	100.000
	4,179	100.000%		\$1,590,946,590	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 XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” in Appendix A.

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

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

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

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

Typical Tax Rates

Below are historical typical tax rates in a typical tax rate area within the District for the years 2015-16 through 2019-20.

**BELLEVUE UNION SCHOOL DISTRICT
Typical Tax Rates as Percent of Assessed Valuation
(Tax Rate Area 58-000; 2019-20 Assessed Valuation: \$709,780,228)
Fiscal Years 2013-14 through 2017-18**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Warm Springs Dam	.0070	.0070	.0070	.00700	.00700
Sonoma Community College District	.0160	.0400	.0890	.03600	.03700
Santa Rosa Union High School District	.0745	.0710	.0590	.06200	.04850
Bellevue Union School District	.0858	.0858	.0370	.09250	.09100
Total Tax Rate	1.1833%	1.2038%	1.1920%	1.19750	1.18350

Source: California Municipal Statistics, Inc.

Secured Tax Levies and Delinquencies - Teeter Plan

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 on the secured roll 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 secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

Currently, the County includes general obligation bond levies, including for general obligation bonds issued by the District, in its Teeter Plans.

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. With respect to general obligation bonds, county assessors are authorized to levy taxes sufficient to pay debt service on bonds coming due, including as a rate that will provide for a reserve. The District cannot represent the sufficiency of any such reserve to the extent necessary to cover delinquent taxes, to the extent the Teeter Plan were amended or discontinued.

[Remainder of page intentionally left blank.]

Major Taxpayers

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

BELLEVUE UNION SCHOOL DISTRICT Largest 2019-20 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Donahue Schriber Realty Group	Shopping Center	\$49,616,045	1.56%
2.	Dav-N Renaissance LLC	Apartments	44,322,984	1.39
3.	Santa Rosa Town Center LLC	Shopping Center	36,549,807	1.15
4.	DCMF I 16 Harvest Park LLC	Residential Development	32,392,273	1.02
5.	ROIC California LLC	Shopping Center	30,671,604	0.96
6.	Recology Sonoma Marin Corp	Industrial	30,380,250	0.95
7.	AG-GR Vineyard Owner LP	Apartments	26,744,763	0.84
8.	COBT LLC	Hotel	24,148,759	0.76
9.	Ghilotti Construction Co.	Warehouse	22,687,013	0.71
10.	Matteri Martin LLC	Residential Development	21,360,000	0.67
11.	Costco Wholesale Corp.	Commercial	20,618,132	0.65
12.	Federated Indians of Graton Rancheria	Undeveloped	19,960,412	0.63
13.	Betty E. Freeman Trust	Auto Sales	17,648,131	0.55
14.	Industry West Commerce Center LLC	Warehouse	16,540,236	0.52
15.	3000 Dutton Ave. LLC	Warehouse	15,845,477	0.50
16.	Deangelis Family Partnership	Apartments	14,037,503	0.44
17.	Manor Development Co. Inc.	Light Industrial	13,898,613	0.44
18.	Bedford Santa Rosa Associates LLC	Apartments	13,885,979	0.44
19.	Brad W. and Lisa M. Pennington Trust	Apartments	13,735,264	0.43
20.	Dayton Hudson Corp.	Commercial	12,839,512	0.40
			<u>\$477,882,757</u>	<u>14.99%</u>

(1) 2019-20 local secured assessed valuation: \$3,188,736,640.
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. with respect to debt dated as of April 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

BELLEVUE UNION SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of April 1, 2020

2019-20 Assessed Valuation: \$3,332,321,032

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/20</u>
Sonoma County Joint Community College District	3.489%	\$13,549,706
Santa Rosa High School District	10.005	14,162,578
Bellevue Union School District	100.000	31,763,621⁽¹⁾
California Statewide Communities Development Authority 1915 Act Bonds	100.000	<u>3,940,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$63,415,905
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sonoma County General Fund Obligations	3.516%	\$ 463,092
Sonoma County Pension Obligation Bonds	3.516	11,300,951
Sonoma County Office of Education Certificates of Participation	3.516	133,359
Santa Rosa High School District Certificates of Participation	10.005	1,245,514
West County Transportation Agency	10.060	1,028,132 ⁽²⁾
City of Rohnert Park General Fund Obligations	2.975	44,774
City of Santa Rosa General Fund Obligations	7.511	1,036,142
City of Santa Rosa Pension Obligation Bonds	7.511	<u>1,233,682</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$16,485,646
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>	2.304-10.286%	\$3,899,911
COMBINED TOTAL DEBT		\$83,801,462⁽³⁾

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$31,763,621)	0.95%
Total Direct and Overlapping Tax and Assessment Debt	1.90%
Combined Total Debt	2.51%

Ratio to Redevelopment Successor Agency Incremental Valuation (\$269,634,475):

Total Overlapping Tax Increment Debt	1.45%
--	-------

(1) Excludes issue to be sold.

(2) West County Transportation Agency 2017 Bonds (Transportation Facility Project). District has agreed to make certain payments to the Transportation Agency, which the Transportation Agency has pledged to use to pay the bonds.

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

Source: California Municipal Statistics, Inc.

BOND INSURANCE

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

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At December 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("**AGE**"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty

Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

TAX MATTERS

Tax Exemption

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

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

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

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 retire the Bonds.

The District is subject to lawsuits and claims that might or arise or have arisen in the regular course of administering the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under lawsuits and claims currently known to the District will not materially affect the financial position or operations of the District.

Compensation of Certain Professionals

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

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The District has covenanted 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 would be March 31), commencing March 31, 2021 with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board (the “**MSRB**”). The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has prior undertakings pursuant to the Rule. In the previous five years, non-compliance with prior undertakings are (i) not including all required supplemental information in certain annual reports, (ii) failure to link annual reports to certain CUSIPs, and (iii) untimely filing of certain notices of insured rating changes. Remedial filings have been made.

The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to serve as its dissemination agent with respect to its undertakings in connection with each of its undertakings including 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.

RATINGS

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

In addition, S&P has assigned an underlying rating of “A+” to the Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which is not material to making an investment decision in the Bonds and as such does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

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

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

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

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.

BELLEVUE UNION SCHOOL DISTRICT

By: _____
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

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 by the District solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" herein.

GENERAL DISTRICT INFORMATION

General Information

The District was established in 1919 and provides education services to the southwest portion of the City of Santa Rosa and certain unincorporated areas in Sonoma County, California. The District covers an area of approximately 22 square miles, and operates 4 elementary schools (grades K-6) and one early learning center (Pre-School ages 3-5). Enrollment is projected to be approximately 1,615 students in fiscal year 2019-20 and draws from a diverse range of socioeconomic backgrounds. The following are the District's school sites:

SCHOOL SITES

Bellevue Union School District

- Bellevue Elementary School (TK-6)•
- Meadow View Elementary (TK-6)•
- Kawana Springs Elementary School (TK-6)•
- Taylor Mountain Elementary (TK-6)•

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees. Members are elected to four-year terms in staggered years. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

BOARD OF TRUSTEES

Bellevue Union School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Lisa Reyes	President	November 2022
John Jarvis	Vice President	November 2020
Stephanie Merrida-Grant	President	November 2022
Jamie Padilla	Trustee	November 2020
Adele Walker	Trustee	November 2020

Superintendent; Chief Business Official. 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. David Alexander currently serves as the District's Superintendent. Chris Kim, Ed.D currently serves as the District's Chief Business Officer.

Recent Enrollment Trends

The following table shows recent enrollment history for the District.

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

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Annual Percent Change</u>
2011-12	1,737	--%
2012-13	1,736	(0.1)
2013-14	1,829	5.4
2014-15	1,872	2.4
2015-16	1,910	2.0
2016-17	1,895	(0.8)
2017-18	1,835	(3.1)
2018-19	1,616	(11.9)
2019-20*	1,615	(0.1)

**Projected.*
Source: Bellevue Union School District.

Employee Relations

For fiscal year 2019-20, the District has staffing of approximately 81.6 full time equivalent (“**FTEs**”) certificated employees, 58.9 FTE classified employees, and 12.7 FTE management employees. The classified and certificated employees of the District are represented by bargaining units, as follows:

CONTRACTS WITH BARGAINING UNITS Bellevue Union School District

<u>Employee Group</u>	<u>Representation</u>	<u>Contract Expiration Date</u>
Certificated	Bellevue Education Assoc.	June 30, 2020
Classified	California Schools Employees Association	October 30, 2019*

**Parties perform pursuant to expired terms pending settlement.*
Source: Bellevue Union School District

Insurance – Joint Powers Agreements

The District participates in two joint ventures under joint powers authorities (“**JPs**”), the Redwood Empire Schools Insurance Group and the West County Transportation Agency. The relationships between the District and the JPs are such that the JPs are not component units of the District for financial reporting purposes. The JPs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

See “APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2019 - Note 12.”

DISTRICT FINANCIAL INFORMATION

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.

Education Funding Generally

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 50% of a local education agency’s base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget (based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”)), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap. Full implementation occurred in fiscal year 2018-19.

Funding levels used in the LCFF “Target Entitlement” calculations for fiscal year 2019-20 are set forth in the following table.

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

Grade Span	2018-19 Base Grant Per ADA	2019-20 COLA (3.26%)	Grade Span Adjustments (K-3:10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,043	295	243	9,572

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

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

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 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.

Basic Aid or Community Supported districts are school districts which have local property tax revenues which exceed such district's funding entitlement under LCFF. As such, in lieu of State funding under LCFF, Basic Aid districts are entitled to keep the full share of local property tax revenues, even the amount which exceeds its funding entitlement under LCFF. The District's funding formula is currently determined pursuant to LCFF, and not as 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 fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2019 Audited Financial Statements were prepared by Christy White Associates, A Professional Accountancy Corporation, San Diego, California, and are attached hereto as Appendix B. The District's charter school is dependent and their financial activities are accounted for in the District's general fund. 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 District, 3150 Education Drive, Santa Rosa, California 95407, telephone (707) 542-5197. 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. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

[Remainder of Page Intentionally Left Blank]

General Fund Revenues, Expenditures and Changes in Fund Balance. The following tables show the audited income and expense statements for the general fund for the District for the fiscal years 2015-16 through 2018-19.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2015-16 and 2018-19 (Audited)*
Bellevue Union School District

<u>Revenues</u>	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19
LCFF Sources	\$17,033,697	\$17,546,410	\$18,200,104	\$19,219,677
Federal Revenues	1,775,815	1,247,745	885,376	1,179,241
Other State Revenues	2,876,971	2,018,584	1,854,039	2,815,494
Other Local Revenues	2,183,929	1,137,503	1,485,545	445,737
Total Revenues	23,870,412	21,950,242	22,425,064	23,660,149
<u>Expenditures</u>				
Instruction	15,544,084	14,993,376	13,198,466	13,310,967
Instruction-Related Activities:				
Supervision of Instruction	922,434	101,551	52,022	105,695
Instructional Library, Media, Tech	174,745	204,376	155,412	18,012
School Site Administration	1,218,899	1,248,277	1,467,341	1,530,048
Pupil Services:				
Home-to-School Transport	1,567,191	1,610,661	1,582,772	1,662,097
Food Services	--	--	--	--
All Other Pupil Services	990,145	1,301,228	1,725,165	1,763,678
General Administration:				
Data Proc.	8,960	150	8,779	53,165
All Other General Administration	1,415,272	1,816,191	1,284,298	1,328,145
Plant Services	1,301,186	2,073,444	1,512,340	1,594,359
Facility Acquisition and Construction	537,336	155,331	47,533	--
Ancillary Services	--	--	16,694	--
Community Services	582,949	469,030	496,955	495,526
Transfers to other agencies	--	--	9,000	16,000
Other Outgo	--	(4,700)	--	--
Debt Service: Principal	77,300	87,529	98,442	--
Debt Service: Interest	108,972	105,101	250,725	--
Total Expenditures	24,449,473	24,170,945	21,905,944	21,877,692
Excess of Revenues Over/(Under) Expenditures	(579,061)	(2,220,703)	519,120	1,782
<u>Other Financing Sources (Uses)</u>				
Operating Transfers in	--	--	247,865	--
Other Sources	--	--	2,222,168	--
Operating Transfers out	--	(201,014)	--	(708)
Other Uses	--	--	(2,072,168)	--
Total Other Financing Sources (Uses)	--	(201,014)	397,865	(708)
Net Change in Fund Balance	(597,061)	(2,421,717)	916,985	1,781,749
Fund Balance, July 1	3,938,530	3,359,469	978,133	1,895,118
Fund Balance, June 30	\$3,359,469	\$937,752	\$1,895,118	\$3,676,867

Source: Bellevue Union School District.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“**AB 1200**”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

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

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

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

Interim Certifications Regarding Ability to Meet Financial Obligations. AB 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 fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification

is assigned to any school district that will meet its financial obligations for the current fiscal year and 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 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 Approval/Disapproval and Certification History. Between Fiscal Year 2012-13 and 2016-17, each of the District's adopted budgets were approved by the County Superintendent, and the District received positive certifications on each of its interim reports during said period. On December 5, 2017 the District's First Interim Report for Fiscal Year 2017-18 was certified as qualified, and on March 6, 2018 the District's Second Interim Report for Fiscal Year 2017-18 was also certified as qualified due to deficit spending in recent years and projections indicating that State-recommended reserve levels might not be met in the next fiscal year. Subsequent interim reports, including its 2019-20 Second Interim Report have been certified as positive, and the 2019-20 Budget was approved by the County Superintendent.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 3150 Education Drive, Santa Rosa, California 95407, telephone (707) 542-5197. The District may impose charges for copying, mailing and handling.

District's General Fund Fiscal Year Fiscal Year 2019-20 (Adopted Budget and Second Interim Projections). The following table shows the general fund budget for fiscal year 2019-20 and the Second Interim Projections.

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2019-20 (Adopted Budget)⁽¹⁾
And Fiscal Year 2019-20 (Second Interim Projections)
Bellevue Union School District**

	Adopted Budget 2019-20	Second Interim Projections
<u>Revenues</u>		
LCFF Sources	\$18,962,869	\$19,375,889
Federal revenues	1,230,838	1,305,144
Other state revenues	1,694,219	2,212,490
Other local revenues	352,825	652,311
Total Revenues	<u>22,240,751</u>	<u>23,545,833</u>
<u>Expenditures</u>		
Certificated Salaries	7,590,120	7,725,595
Classified Salaries	2,693,630	2,772,344
Employee Benefits	3,882,787	3,814,418
Books and Supplies	712,635	732,150
Services and Other Operating Expenditures	7,090,558	7,353,237
Capital Outlay	7,000	2,000
Other Outgo (excl. transfers of Ind. Costs)	--	--
Other Outgo-Transfers of Indirect Costs	(40,373)	(40,373)
Debt Service	--	--
Total Expenditures	<u>21,936,357</u>	<u>22,359,372</u>
Excess of Revenues Over/(Under) Expenditures	304,394	1,186,462
<u>Other Financing Sources (Uses)</u>		
Interfund Transfers In	--	--
Interfund Transfers Out	--	--
Other Sources/Uses	--	--
Contributions	--	4
Total Other Financing Sources (Uses)	<u>--</u>	<u>4</u>
Net Change in Fund Balance	304,394	1,186,466
Fund Balance, July 1	<u>2,397,837</u>	<u>3,672,907</u>
Fund Balance, June 30*	<u>\$2,702,231</u>	<u>\$4,859,372</u>

(1) Budget documents do not account for reserves held outside of the general fund, which reserves are included in the audited financial statements for the District's general fund summarized in the preceding table.

*Totals may not foot due to rounding.

Source: Bellevue Union 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 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

Under State regulations, the recommended minimum amounts of reserves vary from 1% to 5% of total expenditures and other financing uses, depending on the school district's ADA. A school district that proposes to adopt or revise a budget that includes an ending fund balance that

is higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance.

In a fiscal year immediately after a fiscal year in which the amount on deposit in the State's Public School System Stabilization Account (the Proposition 98 reserve) established in the State General Fund equals or exceeds 3% of the total of State General Fund revenues appropriated for school districts and local tax revenues (other than those that offset the State's basic aid funding requirement), a school district's adopted or revised budget may not contain an ending fund balance higher than 10% of the school district's combined assigned or unassigned ending general fund balance. A county superintendent may waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. If the cap were triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The District is unable to predict what the effect of a reserve cap on its budget might be in the future.

The first deposit into the Public School System Stabilization Account since its creation in 2014 is expected to be made in fiscal year 2019-20, followed by a withdrawal in 2020-21. The expected amounts of the deposit, \$542.2 million, and the subsequent withdrawal, \$37.6 million, would leave a balance in the account well below the amount that would trigger the caps.

The District cannot predict when or how any changes to legal provisions governing the reserve cap, if any, could impact its reserves and future spending. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

Recent Deficit Spending. The District has been deficit spending in recent years. As a result of the Fiscal Crisis and Management Assistance Team, a division of California School Information Services' recommended Spending Reduction Plan, the District has successfully increased reserves from 3.9% to 16.8%. The District is continuing to engage in spending reduction, with restructuring of special education program, auditing transportation expenditures, and investing in targeted curriculum to improve academic programs.

Attendance - Revenue Limit and LCFF Funding

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (“**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 LCFF funding (phase in entitlement per ADA) for the District for fiscal years 2013-14 through 2019-20 (Projected).

AVERAGE DAILY ATTENDANCE AND TOTAL LCFF FUNDING Fiscal Years 2013-14 through 2019-20 (Projected) Bellevue Union School District

<u>Fiscal Year</u>	<u>ADA</u>	<u>Total LCFF Funding</u>
2013-14	1,730	\$12,422,712
2014-15	1,726	14,235,684
2015-16	1,698	17,033,697
2016-17	1,672	17,546,410
2017-18	1,611	18,200,104
2018-19	1,533	19,219,678
2019-20*	1,570	19,375,889

*Second Interim Projection.

Source: Bellevue Union School District.

Unduplicated Student Count. The District’s unduplicated student count for purposes of funding entitlements under LCFF is approximately 90% percent in fiscal year 2019-20. As such, the District is entitled to supplemental funding based on this percentage as well as 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. See also “SECURITY FOR THE BONDS – Disclosure Relating to COVID-19.”

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.

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

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

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

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

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

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 the District or the Underwriter.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the financial statements for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2019" for further information.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability

and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

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

Fiscal Year	Amount*
2013-14	\$609,795
2014-15	691,134
2015-16	879,212
2016-17	1,124,578
2017-18	1,129,777
2018-19	1,170,608
2019-20**	1,807,096

*Increases attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.

**Second Interim Projection.

Source: Bellevue Union School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to fund the unfunded actuarial obligation with respect to service credited members of the STRS Defined Benefit Program before July 1, 2014, within 32 years. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate⁽¹⁾
2019-20 ⁽²⁾	17.10%
2020-21 ⁽²⁾	18.40
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll. Rates may change based on actual experience and other factors.

(2) Fiscal year 2019-20 and 2020-21 employer contribution rates have been reduced as of adoption of the fiscal year 2019-20 State Budget. See the following paragraph.

Source: AB 1469.

The State’s fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. The STRS employer contribution rate for fiscal year 2019-20 is expected to be 17.1% (reduced from 18.13%) and for fiscal year 2020-21 is expected to be 18.4% (reduced from 19.10%).

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

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

Fiscal Year	Amount
2013-14	\$202,376
2014-15	269,714
2015-16	390,043
2016-17	442,771
2017-18	499,999
2018-19	521,971
2019-20*	568,776

*Second Interim Projection.

Source: Bellevue Union School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in

employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next subsequent three years according to the following schedule.

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

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

Source: PERS.

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

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

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

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

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

(2) Expressed as a percentage of covered payroll. Rates for 2019-20 and 2020-21 have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following paragraph

Source: PERS

The State's fiscal year 2019-20 budget includes certain pension relief provisions in the form of contributions by the State to STRS and PERS to relieve and reduce the employer contribution rates in the next two years. As a result of the State contributions, the employer contribution rates were reduced by approximately 1% less than previously identified by PERS.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including

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

PERS has predicted that the impact of 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. Additional information regarding the District's retirement programs is available in Note 10 of 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 Underwriter for accuracy or completeness.*

No Post-Retirement Healthcare Benefits

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

General Obligation Bonds

The District currently has general obligation bonds outstanding, which were issued pursuant to three authorizing bond elections held within District boundaries on November 5, 1996, March 3, 2020 and June 3, 2014, respectively. The following table provides a summary of outstanding general obligation bond indebtedness.

GENERAL OBLIGATION BOND INDEBTEDNESS Bellevue Union School District

Name of General Obligation Bond Issue	Issue Date	Maturity Date	Original Principal Amount	Principal Outstanding ⁽¹⁾ April 1, 2020
GO Bonds, Election of 1996, Series 1997	03/06/1997	8/1/2021	\$7,273,374.30	\$643,406.85
GO Bonds, Election of 1996, Series 2000	02/09/2000	8/1/2024	3,726,209.50	1,658,691.95
GO Bonds, Election of 2008, Series A	05/28/2009	8/1/2033	6,500,000.00	615,000.00
GO Bonds, Election of 2008, Series 2011A	09/13/2011	8/1/2035	378,528.45	378,528.45
GO Bonds, Election of 2008, Series 2011B	09/13/2011	8/1/2028	4,350,000.00	4,350,000.00
GO Bonds, Election of 2008, Series 2011C	09/13/2011	8/1/2041	774,039.75	404,268.10
GO Bonds, Election of 2014, Series A	11/11/2014	8/1/2044	4,200,000.00	3,415,000.00
GO Bonds, Election of 2014, Series B	06/23/2016	8/1/2036	7,800,000.00	7,560,000.00
2017 Refunding General Obligation Bonds	12/19/2017	8/1/2041	5,946,810.95	5,801,810.95
GO Bonds, Election of 2008, Series D	06/21/2018	8/1/2042	6,996,915.25	6,936,915.25
Totals			\$47,945,878.20	\$31,763,621.55

(1) Does not include accrued interest on capital appreciation bonds.

Source: Bellevue Union School District.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Sonoma 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 - SONOMA COUNTY INVESTMENT POLICY AND 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 "—Funding of Education 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.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The 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 most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Underwriter or the County is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

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

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

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

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

Recent State Budgets

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

- The California State Treasurer Internet home page at [www. Treasurer.ca.gov](http://www.Treasurer.ca.gov), under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the "-Financial Information" link.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the headings "The Budget" and "State Budget Condition."

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

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

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of \$214.8 billion, with \$147.8 billion in general fund spending. The 2019-20 State Budget provides for \$81.1 billion of funding

through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of \$2.7 billion, or 3.4%, from the 2018-19 State budget. Of that \$81.1 billion, \$62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

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

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 million of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;
- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities expansion and \$195 million for childcare and preschool workforce development;
- one-time funding of \$750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

2020-21 Proposed State Budget

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

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

LAO Fiscal Perspective Reports (March 18, 2020 and April 15, 2020): COVID-19

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

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

COVID-19 Response Brings Economic Activity to a Halt. For the broader economy, the LAO stated that the odds of a recession have increased substantially due to the pullback in activity across wide swaths of the economy. The abrupt and nearly across-the-board curtailment of spending that is now underway sets it apart from previous downturns. An optimistic scenario is that the economy would experience a sharp but comparatively short-lived downturn lasting one or two months. Under a more pessimistic scenario, economic activity would remain

depressed for longer, compounded by dislocated supply chains and reduced lending caused by elevated risk aversion in credit markets. The type of contraction the state, national, and global economies experience will have implications for revenue collections in the coming years.

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

The LAO issued another fiscal perspective report on April 15, 2020 entitled "State Budget Effects of Recent Federal Actions to Address COVID-19," concluding that recent actions by the federal government will mitigate some of the adverse budgetary effects that the COVID-19 pandemic is likely to cause, but only a small portion of the federal funding allocated to date, being additional Medi-Cal funding, will assist the State with budgetary strain caused by lower revenues. Key information in the report is as follows:

Sources of Potential Budget Problem. The State likely will face a budget problem at the time of the May Revision, resulting from COVID-19. Specifically, the budget problem will arise from higher direct costs to respond to the public health emergency, higher indirect costs as a result of changes in the economy, and lower revenues as a result of changes in the economy.

Federal Legislation May Affect State Budget. Recent federal legislation could help reduce budgetary strain at the State level. This includes funds under the CARES Act which established the Coronavirus Relief Fund, and which the U.S. Department of the Treasury has indicated the State is eligible for \$15.3 billion to be shared between the State and local governments, with the State's eligibility without regard to local governments estimated at \$9.5 billion. Said funds are available to provide relief for direct and possibly indirect higher costs resulting from COVID-19, but not revenue losses. Additional federal aid in the form of increases to funding under Medicaid and unemployment insurance, which is a federal-state program, could also provide potential benefits to the State's budget. Education relief funding could provide some additional relief, although this form of relief will mainly accrue to the State's educational institutions.

State Department of Finance – Effect of COVID-19 on State Budgets.

On March 24, 2020, the California Department of Finance released Budget Letter 20-08 which states that the Department anticipates a severe drop in economic activity in California as a result of the COVID-19 pandemic, which could negatively impact anticipated revenue levels in fiscal year 2019-20, and will certainly produce impacts on the fiscal year 2020-21 Proposed State Budget.

Disclaimer Regarding State Budgets

The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable, including the COVID-19 emergency.

The current and proposed State budgets are expected to be impacted by the COVID-19 emergency described herein. The District cannot predict the impact that the COVID-19 emergency and the 2019-20 State Budget, or subsequent state budgets, including adjustments made for economic conditions, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Availability of State Budgets

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

Uncertainty Regarding Future State Budgets

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 39 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

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

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

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

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

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

Article XIII B of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIII C and XIII D

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

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

Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It

is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, 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 this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30 and Proposition 55

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

The revenues generated from the temporary tax increases are 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 are 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 are allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are 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 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 and excise tax increases of Proposition 30.

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 provisions 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.

California Senate Bill 222

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30, 39, 1A, 55, 111 and 218 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2019**

[THIS PAGE INTENTIONALLY LEFT BLANK]

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2019**



BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	10
Statement of Activities.....	11
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	15
Fiduciary Funds – Statement of Net Position	17
Notes to Financial Statements.....	18

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	46
Charter Schools Fund – Budgetary Comparison Schedule.....	47
Child Development Fund – Budgetary Comparison Schedule.....	48
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS	49
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS	50
Schedule of District Contributions - CalSTRS	51
Schedule of District Contributions - CalPERS.....	52
Notes to Required Supplementary Information	53

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards.....	55
Schedule of Average Daily Attendance (ADA)	56
Schedule of Instructional Time.....	57
Schedule of Financial Trends and Analysis.....	58
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	59
Schedule of Charter Schools	60
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62
Local Education Agency Organization Structure	63
Notes to Supplementary Information	64

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2019**

OTHER INDEPENDENT AUDITORS' REPORTS

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*66
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance68
Report on State Compliance70

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results73
Financial Statement Findings74
Federal Award Findings and Questioned Costs77
State Award Findings and Questioned Costs78
Summary Schedule of Prior Audit Findings81

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bellevue Union Elementary School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Christy White, Inc.

San Diego, California
December 13, 2019

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

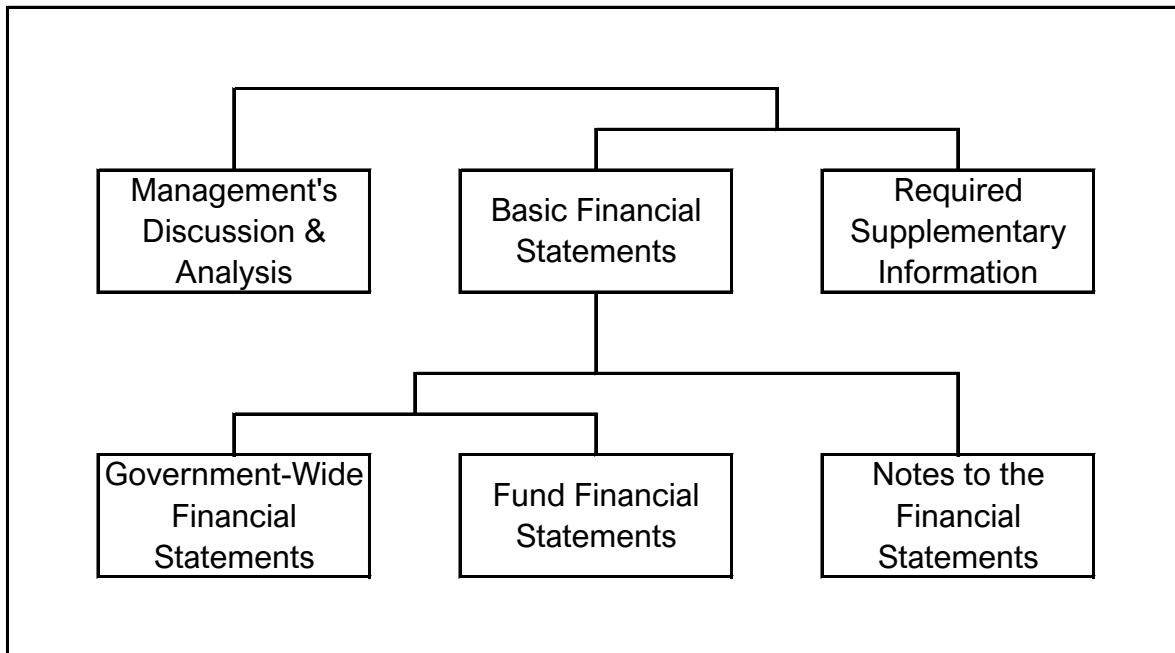
Our discussion and analysis of Bellevue Union Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

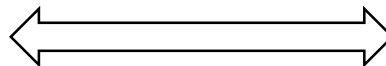
- The District's total net position was \$1,649,084 at June 30, 2019. This was an increase of \$1,079,929 from the prior year.
- Overall revenues were \$28,870,485 which exceeded expenses of \$27,790,556.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



Summary



Detail

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** 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.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-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 government'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 government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$1,649,084 at June 30, 2019, as reflected in the table below. Of this amount, \$(20,802,460) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2019	2018	Net Change
ASSETS			
Current and other assets	\$ 16,008,923	\$ 14,194,402	\$ 1,814,521
Capital assets	45,361,485	46,052,001	(690,516)
Total Assets	61,370,408	60,246,403	1,124,005
DEFERRED OUTFLOWS OF RESOURCES	6,665,253	8,247,701	(1,582,448)
LIABILITIES			
Current liabilities	2,503,591	2,965,485	(461,894)
Long-term liabilities	61,276,322	62,849,934	(1,573,612)
Total Liabilities	63,779,913	65,815,419	(2,035,506)
DEFERRED INFLOWS OF RESOURCES	2,606,664	2,109,530	497,134
NET POSITION			
Net investment in capital assets	17,297,980	17,418,684	(120,704)
Restricted	5,153,564	4,884,082	269,482
Unrestricted	(20,802,460)	(21,733,611)	931,151
Total Net Position	\$ 1,649,084	\$ 569,155	\$ 1,079,929

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2019	2018	Net Change
REVENUES			
Program revenues			
Charges for services	\$ -	\$ 29,697	\$ (29,697)
Operating grants and contributions	4,727,494	4,474,906	252,588
General revenues			
Property taxes	12,450,963	11,419,353	1,031,610
Unrestricted federal and state aid	10,650,637	11,673,877	(1,023,240)
Other	1,041,391	1,073,703	(32,312)
Total Revenues	28,870,485	28,671,536	198,949
EXPENSES			
Instruction	14,262,889	15,195,652	(932,763)
Instruction-related services	1,779,812	2,023,040	(243,228)
Pupil services	4,659,917	4,588,411	71,506
General administration	1,583,120	1,422,490	160,630
Plant services	1,884,097	1,837,061	47,036
Ancillary and community services	495,526	534,011	(38,485)
Debt service	1,862,147	2,043,351	(181,204)
Other outgo	71,199	323,616	(252,417)
Depreciation	1,191,849	1,231,129	(39,280)
Total Expenses	27,790,556	29,198,761	(1,408,205)
Change in net position	1,079,929	(527,225)	1,607,154
Net Position - Beginning	569,155	1,096,380	(527,225)
Net Position - Ending	\$ 1,649,084	\$ 569,155	\$ 1,079,929

The cost of all our governmental activities this year was \$27,790,556 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$12,450,963 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2019	2018
Instruction	\$ 11,535,682	\$ 12,748,777
Instruction-related services	1,632,333	1,916,057
Pupil services	3,599,793	3,383,262
General administration	1,514,900	1,363,299
Plant services	1,841,070	1,832,395
Ancillary and community services	2,160	38,865
Debt service	1,862,147	2,043,351
Transfers to other agencies	(116,872)	137,023
Depreciation	1,191,849	1,231,129
Total Expenses	\$ 23,063,062	\$ 24,694,158

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 \$14,807,337, which is more than last year's ending fund balance of \$12,473,578. The District's General Fund had \$1,782,457 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Charter Schools Fund had \$4,846 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Child Development Fund had \$24,122 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had \$259,554 less in operating revenues than expenditures for the year ended June 30, 2019. The District's Bond Interest and Redemption Fund had \$532,694 more in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-2019

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested \$45,361,485 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	\$ 4,316,397	\$ 4,316,397	\$ -
Construction in progress	5,905,984	5,768,755	137,229
Land improvements	7,173,126	7,159,318	13,808
Buildings & improvements	42,690,840	42,340,544	350,296
Furniture & equipment	1,056,607	1,056,607	-
Accumulated depreciation	(15,781,469)	(14,589,620)	(1,191,849)
Total Capital Assets	\$ 45,361,485	\$ 46,052,001	\$ (690,516)

Long-Term Liabilities

At year-end, the District had \$61,276,322 in long-term liabilities, a decrease of 2.5% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2019	2018	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 41,692,170	\$ 42,717,010	\$ (1,024,840)
Compensated absences	89,466	78,407	11,059
Net pension liability	20,390,727	20,902,230	(511,503)
Less: current portion of long-term liabilities	(896,041)	(847,713)	(48,328)
Total Long-term Liabilities	\$ 61,276,322	\$ 62,849,934	\$ (1,573,612)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Department, Bellevue Union Elementary School District, 3150 Education Drive, Santa Rosa, CA 95407.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash and investments	\$ 14,739,939
Accounts receivable	1,268,984
Capital assets, not depreciated	10,222,381
Capital assets, net of accumulated depreciation	35,139,104
Total Assets	61,370,408
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	6,261,609
Deferred amount on refunding	403,644
Total Deferred Outflows of Resources	6,665,253
LIABILITIES	
Accrued liabilities	1,514,679
Unearned revenue	92,871
Long-term liabilities, current portion	896,041
Long-term liabilities, non-current portion	61,276,322
Total Liabilities	63,779,913
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,606,664
Total Deferred Inflows of Resources	2,606,664
NET POSITION	
Net investment in capital assets	17,297,980
Restricted:	
Capital projects	571,004
Debt service	4,007,075
Educational programs	244,477
Food services	331,008
Unrestricted	(20,802,460)
Total Net Position	\$ 1,649,084

The accompanying notes are an integral part of these financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 14,262,889	\$ 2,727,207	\$	(11,535,682)
Instruction-related services				
Instructional supervision and administration	118,530	63,035		(55,495)
Instructional library, media, and technology	22,663	805		(21,858)
School site administration	1,638,619	83,639		(1,554,980)
Pupil services				
Home-to-school transportation	1,662,097	1,705		(1,660,392)
Food services	1,072,027	889,274		(182,753)
All other pupil services	1,925,793	169,145		(1,756,648)
General administration				
Centralized data processing	76,572	2,832		(73,740)
All other general administration	1,506,548	65,388		(1,441,160)
Plant services	1,884,097	43,027		(1,841,070)
Community services	495,526	493,366		(2,160)
Interest on long-term debt	1,862,147	-		(1,862,147)
Other outgo	71,199	188,071		116,872
Depreciation (unallocated)	1,191,849	-		(1,191,849)
Total Governmental Activities	\$ 27,790,556	\$ 4,727,494		(23,063,062)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				9,246,956
Property taxes, levied for debt service				3,103,401
Property taxes, levied for other specific purposes				100,606
Federal and state aid not restricted for specific purposes				10,650,637
Interest and investment earnings				242,876
Miscellaneous				798,515
Subtotal, General Revenue				24,142,991
CHANGE IN NET POSITION				1,079,929
Net Position - Beginning				569,155
Net Position - Ending				\$ 1,649,084

The accompanying notes are an integral part of these financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,122,637	\$ 464,221	\$ 22,728	\$ 5,778,761	\$ 4,413,039	\$ 938,553	\$ 14,739,939
Accounts receivable	818,100	-	337,675	-	-	113,209	1,268,984
Due from other funds	470,300	3,847	31,329	-	-	980	506,456
Total Assets	\$ 4,411,037	\$ 468,068	\$ 391,732	\$ 5,778,761	\$ 4,413,039	\$ 1,052,742	\$ 16,515,379
LIABILITIES							
Accrued liabilities	\$ 628,557	\$ (793)	\$ 266,902	\$ 207,819	\$ -	\$ 6,230	\$ 1,108,715
Due to other funds	12,742	249,214	100,000	-	-	144,500	506,456
Unearned revenue	92,871	-	-	-	-	-	92,871
Total Liabilities	734,170	248,421	366,902	207,819	-	150,730	1,708,042
FUND BALANCES							
Restricted	-	219,647	24,830	5,570,942	4,413,039	902,012	11,130,470
Unassigned	3,676,867	-	-	-	-	-	3,676,867
Total Fund Balances	3,676,867	219,647	24,830	5,570,942	4,413,039	902,012	14,807,337
Total Liabilities and Fund Balances	\$ 4,411,037	\$ 468,068	\$ 391,732	\$ 5,778,761	\$ 4,413,039	\$ 1,052,742	\$ 16,515,379

The accompanying notes are an integral part of these financial statements.

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

Total Fund Balance - Governmental Funds \$ 14,807,337

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 61,142,954	
Accumulated depreciation	<u>(15,781,469)</u>	45,361,485

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

403,644

Unmatured interest on long-term debt:

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

(405,964)

Long-term liabilities:

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

Total general obligation bonds	\$ 41,692,170	
Compensated absences	89,466	
Net pension liability	<u>20,390,727</u>	(62,172,363)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 6,261,609	
Deferred inflows of resources related to pensions	<u>(2,606,664)</u>	3,654,945

Total Net Position - Governmental Activities \$ 1,649,084

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
LCFF sources	\$ 19,219,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,219,677
Federal sources	1,179,241	-	-	-	188,071	909,146	2,276,458
Other state sources	2,815,494	5,053	1,220,544	-	15,607	129,524	4,186,222
Other local sources	445,737	9,626	708	134,934	3,147,366	445,146	4,183,517
Total Revenues	23,660,149	14,679	1,221,252	134,934	3,351,044	1,483,816	29,865,874
EXPENDITURES							
Current							
Instruction	13,310,967	4,449	1,197,130	-	-	-	14,512,546
Instruction-related services							
Instructional supervision and administration	105,695	-	-	-	-	-	105,695
Instructional library, media, and technology	18,012	-	-	-	-	-	18,012
School site administration	1,530,048	-	-	-	-	-	1,530,048
Pupil services							
Home-to-school transportation	1,662,097	-	-	-	-	-	1,662,097
Food services	-	-	-	-	-	963,611	963,611
All other pupil services	1,763,678	-	-	-	-	-	1,763,678
General administration							
Centralized data processing	53,165	-	-	-	-	-	53,165
All other general administration	1,328,145	740	-	-	-	31,315	1,360,200
Plant services	1,594,359	4,644	-	-	-	-	1,599,003
Facilities acquisition and maintenance	-	-	-	394,488	-	143,224	537,712
Community services	495,526	-	-	-	-	-	495,526
Transfers to other agencies	16,000	-	-	-	-	96,472	112,472
Debt service							
Principal	-	-	-	-	1,865,000	-	1,865,000
Interest and other	-	-	-	-	953,350	-	953,350
Total Expenditures	21,877,692	9,833	1,197,130	394,488	2,818,350	1,234,622	27,532,115
Excess (Deficiency) of Revenues Over Expenditures	1,782,457	4,846	24,122	(259,554)	532,694	249,194	2,333,759
Other Financing Sources (Uses)							
Transfers in	-	-	708	-	-	-	708
Transfers out	(708)	-	-	-	-	-	(708)
Net Financing Sources (Uses)	(708)	-	708	-	-	-	-
NET CHANGE IN FUND BALANCE	1,781,749	4,846	24,830	(259,554)	532,694	249,194	2,333,759
Fund Balance - Beginning	1,895,118	214,801	-	5,830,496	3,880,345	652,818	12,473,578
Fund Balance - Ending	\$ 3,676,867	\$ 219,647	\$ 24,830	\$ 5,570,942	\$ 4,413,039	\$ 902,012	\$ 14,807,337

The accompanying notes are an integral part of these financial statements.

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

Net Change in Fund Balances - Governmental Funds \$ 2,333,759

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

Capital outlay:

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

Expenditures for capital outlay:	\$	501,333	
Depreciation expense:		<u>(1,191,849)</u>	(690,516)

Debt service:

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 reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,865,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(18,348)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(9,016)

Accreted interest on long-term debt:

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

(899,781)

(continued on next page)

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

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (11,059)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (1,549,731)

Amortization of debt issuance premium or discount:

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 over the life of the debt. Amortization of premium or discount for the period is: 59,621

Change in Net Position of Governmental Activities		\$ 1,079,929
--	--	---------------------

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	<u>Agency Fund</u> <u>Student Body</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 55,020
Total Assets	<u>\$ 55,020</u>
LIABILITIES	
Due to student groups	\$ 55,020
Total Liabilities	<u>\$ 55,020</u>

The accompanying notes are an integral part of these financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-6 as mandated by the state and grades K-12 at the charter school. 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.

B. Component Units

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 no such component units.

Government-Wide 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 revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Charter Schools Special Revenue Fund: This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities.

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

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. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board 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 et seq.*).

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency 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.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930–48938*).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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.

Expenses/Expenditures

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, 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.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. 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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 14,736,439	\$ -
Cash on hand and in banks	-	55,020
Cash in revolving fund	3,500	-
Total cash and investments	\$ 14,739,939	\$ 55,020

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Sonoma County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$14,754,270 and an amortized book value of \$14,736,439. The average weighted maturity for this pool is 552 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were not rated.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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

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

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

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 14,754,270</u>
Total fair market value of investments	<u>\$ 14,754,270</u>

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 561,811	\$ -	\$ 105,220	\$ 667,031
State Government				
Categorical aid	49,337	337,675	7,989	395,001
Lottery	194,096	-	-	194,096
Local Government				
Other local sources	12,856	-	-	12,856
Total	<u>\$ 818,100</u>	<u>\$ 337,675</u>	<u>\$ 113,209</u>	<u>\$ 1,268,984</u>

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance July 01, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,316,397	\$ -	\$ -	\$ 4,316,397
Construction in progress	5,768,755	501,333	364,104	5,905,984
Total Capital Assets not Being Depreciated	<u>10,085,152</u>	<u>501,333</u>	<u>364,104</u>	<u>10,222,381</u>
Capital assets being depreciated				
Land improvements	7,159,318	13,808	-	7,173,126
Buildings & improvements	42,340,544	350,296	-	42,690,840
Furniture & equipment	1,056,607	-	-	1,056,607
Total Capital Assets Being Depreciated	<u>50,556,469</u>	<u>364,104</u>	<u>-</u>	<u>50,920,573</u>
Less Accumulated Depreciation				
Land improvements	2,915,059	312,435	-	3,227,494
Buildings & improvements	11,200,024	801,322	-	12,001,346
Furniture & equipment	474,537	78,092	-	552,629
Total Accumulated Depreciation	<u>14,589,620</u>	<u>1,191,849</u>	<u>-</u>	<u>15,781,469</u>
Governmental Activities				
Capital Assets, net	<u>\$ 46,052,001</u>	<u>\$ (326,412)</u>	<u>\$ 364,104</u>	<u>\$ 45,361,485</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Charter Schools Fund</u>	<u>Child Development Fund</u>	<u>Non-Major Governmental Funds</u>	
General Fund	\$ -	\$ 3,847	\$ 7,915	\$ 980	\$ 12,742
Charter Schools Fund	249,214	-	-	-	249,214
Child Development Fund	100,000	-	-	-	100,000
Non-Major Governmental Funds	121,086	-	23,414	-	144,500
Total Due From Other Funds	\$ 470,300	\$ 3,847	\$ 31,329	\$ 980	\$ 506,456

Due from the General Fund to the Charter Schools Fund to allocate SPED income to SPA (Prior Year).	\$	3,847
Due from the General Fund to the Child Development Fund for program support.		7,915
Due from the General Fund to the Cafeteria Fund to reconcile a deposit (Prior Year).		980
Due from the Charter Schools Fund to the General Fund for repayment of program support.		249,214
Due from the Child Development Fund to to the General Fund for a temporary loan.		100,000
Due from the Cafeteria Fund to the General Fund for a temporary loan.		121,086
Due from the Cafeteria Fund to the Child Development Fund to move state preschool funds incorrectly recorded in the Cafeteria Fund.		23,414
Total	\$	506,456

B. Operating Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>	
	<u>Child Development Fund</u>	<u>Total</u>
General Fund	\$ 708	\$ 708
Total Interfund Transfers	\$ 708	\$ 708

Transfer from the General Fund to the Child Development Fund for a contribution.	\$	708
Total	\$	708

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 87,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,668
Construction	-	-	-	207,819	-	-	207,819
Vendors payable	540,889	(793)	266,902	-	6,230	-	813,228
Unmatured interest	-	-	-	-	-	405,964	405,964
Total	\$ 628,557	\$ (793)	\$ 266,902	\$ 207,819	\$ 6,230	\$ 405,964	\$ 1,514,679

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2019 consisted federal sources totaling \$92,871 in the General Fund.

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 41,219,340	\$ 899,781	\$ 1,865,000	\$ 40,254,121	\$ 836,420
Unamortized premium	1,497,670	-	59,621	1,438,049	59,621
Total general obligation bonds	42,717,010	899,781	1,924,621	41,692,170	896,041
Compensated absences	78,407	11,059	-	89,466	-
Net pension liability	20,902,230	-	511,503	20,390,727	-
Total	\$ 63,697,647	\$ 910,840	\$ 2,436,124	\$ 62,172,363	\$ 896,041

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$89,466. This amount is included as part of long-term liabilities in the government-wide financial statements.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2019
					Outstanding July 01, 2018	Additions	Deductions	
1997 CAB	1997	2021	5.1% - 5.8%	4,393,374	4,212,205	\$ 216,561	\$ 1,070,000	\$ 3,358,766
2000 CAB	2000	2024	5.4% - 6.3%	2,976,210	6,221,098	401,536	465,000	6,157,634
2008 Series A	2009	2033	4.25% - 7.0%	6,500,000	1,050,000	-	195,000	855,000
2011 Series A	2012	2036	11.41%	378,528	768,649	90,210	-	858,859
2011 Series B	2012	2029	5.00%	4,350,000	4,350,000	-	-	4,350,000
2011 Series C	2012	2042	6.94% - 7.25%	774,040	625,268	44,214	-	669,482
2014 Series A	2015	2045	3.0% - 5.0%	4,200,000	3,415,000	-	-	3,415,000
2014 Series B	2016	2046	2.00% - 4.00%	7,800,000	7,630,000	-	25,000	7,605,000
2017 Refunding	2018	2042	2.00% - 4.06%	5,946,811	5,950,205	29,747	110,000	5,869,952
2008, Series D	2018	2043	3.00% - 4.31%	6,996,915	6,996,915	117,513	-	7,114,428
					\$ 41,219,340	\$ 899,781	\$ 1,865,000	\$ 40,254,121

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2019 were as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 836,420	\$ 2,144,593	\$ 2,981,013
2021	855,570	2,253,286	3,108,856
2022	924,914	2,355,161	3,280,075
2023	965,869	2,379,431	3,345,300
2024	1,061,260	2,487,565	3,548,825
2025 - 2029	9,064,486	5,754,265	14,818,751
2030 - 2034	5,707,002	4,484,098	10,191,100
2034 - 2039	5,052,426	6,891,599	11,944,025
2040 - 2044	6,402,095	5,266,686	11,668,781
2045 - 2046	1,730,000	56,800	1,786,800
Accretion	7,654,079	(7,654,079)	-
Total	\$ 40,254,121	\$ 26,419,405	\$ 66,673,526

On December 5, 2017, the District issued \$5,950,205 in General Obligation Refunding Bonds. The bonds were issued to refund a portion of the 2008 Series A and a portion of the 2011 Series C Bonds. The refunding transaction resulted in a net savings to the District \$1,379,481 and a present value savings to the District of \$791,683.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Net Pension Liability

The District’s beginning net pension liability was \$20,902,230 and decreased by \$511,503 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$20,390,727. See Note 10 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Charter Schools Fund	Child Development Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted							
Educational programs	\$ -	\$ 219,647	\$ 24,830	\$ -	\$ -	\$ -	\$ 244,477
Capital projects	-	-	-	5,570,942	-	571,004	6,141,946
Debt service	-	-	-	-	4,413,039	-	4,413,039
Food services	-	-	-	-	-	331,008	331,008
Total restricted	-	219,647	24,830	5,570,942	4,413,039	902,012	11,130,470
Unassigned							
Remaining unassigned	3,676,867	-	-	-	-	-	3,676,867
Total unassigned	3,676,867	-	-	-	-	-	3,676,867
Total	\$ 3,676,867	\$ 219,647	\$ 24,830	\$ 5,570,942	\$ 4,413,039	\$ 902,012	\$ 14,807,337

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 10 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 13,887,934	\$ 4,395,743	\$ 2,512,413	\$ 1,445,829
PERS Pension	6,502,793	1,865,866	94,251	1,787,481
Total	<u>\$ 20,390,727</u>	<u>\$ 6,261,609</u>	<u>\$ 2,606,664</u>	<u>\$ 3,233,310</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,170,608 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,266,534 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 13,887,934
State's proportionate share of the net pension liability associated with the District	7,951,530
Total	<u>\$ 21,839,464</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District’s proportion was 0.015 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2019, the District recognized pension expense of \$1,445,829. In addition, the District recognized pension expense and revenue of \$271,145 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 534,773
Differences between expected and actual experience	43,066	201,730
Changes in assumptions	2,157,453	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,024,616	1,775,910
District contributions subsequent to the measurement date	1,170,608	-
	<u>\$ 4,395,743</u>	<u>\$ 2,512,413</u>

The \$1,170,608 reported as 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 year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 696,257	\$ 382,507
2021	696,257	583,262
2022	696,257	948,058
2023	696,257	310,362
2024	440,107	166,609
2025	-	121,615
	<u>\$ 3,225,135</u>	<u>\$ 2,512,413</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

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

*20-year geometric average

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 20,344,197	\$ 13,887,934	\$ 8,535,064

Pension Plan Fiduciary Net Position

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the District were \$521,971 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$220,490 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the District reported a liability of \$6,502,793 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.024 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2017.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – 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)

For the year ended June 30, 2019, the District recognized pension expense of \$1,787,481. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 53,338	\$ -
Differences between expected and actual experience	426,299	-
Changes in assumptions	649,275	-
Changes in proportion and differences between District contributions and proportionate share of contributions	223,983	94,251
District contributions subsequent to the measurement date	512,971	-
	<u>\$ 1,865,866</u>	<u>\$ 94,251</u>

The \$512,971 reported as 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 year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 896,822	\$ 32,501
2021	502,713	32,501
2022	(8,258)	29,249
2023	(38,382)	-
	<u>\$ 1,352,895</u>	<u>\$ 94,251</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2019**

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 9,467,756	\$ 6,502,793	\$ 4,042,932

Pension Plan Fiduciary Net Position

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

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019**

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

C. Construction Commitments

As of June 30, 2019, the District commitments with respect to unfinished capital projects totaling \$874,766.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the Redwood Empire Schools Insurance Group and the West County Transportation Agency. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2019

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to pensions was \$6,261,609 and total deferred inflows related to pensions was \$2,606,664.

B. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was \$403,644.

REQUIRED SUPPLEMENTARY INFORMATION

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 18,698,408	\$ 19,053,295	\$ 19,219,677	\$ 166,382
Federal sources	1,261,629	1,222,530	1,179,241	(43,289)
Other state sources	1,681,228	1,681,228	2,815,494	1,134,266
Other local sources	988,875	374,148	445,240	71,092
Total Revenues	22,630,140	22,331,201	23,659,652	1,328,451
EXPENDITURES				
Certificated salaries	7,703,611	7,703,611	7,484,597	219,014
Classified salaries	2,676,940	2,676,940	2,622,689	54,251
Employee benefits	3,610,803	3,610,803	4,585,380	(974,577)
Books and supplies	699,823	708,568	519,792	188,776
Services and other operating expenditures	6,873,573	7,340,937	6,606,685	734,252
Capital outlay	32,000	32,000	5,072	26,928
Other outgo				
Excluding transfers of indirect costs	-	-	16,000	(16,000)
Transfers of indirect costs	(40,373)	(40,373)	-	(40,373)
Total Expenditures	21,556,377	22,032,486	21,840,215	192,271
Excess (Deficiency) of Revenues Over Expenditures	1,073,763	298,715	1,819,437	1,520,722
Other Financing Sources (Uses)				
Transfers out	-	-	(708)	(708)
Net Financing Sources (Uses)	-	-	(708)	(708)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	1,854,178	1,854,178	1,854,178	-
Fund Balance - Ending	\$ 2,927,941	\$ 2,152,893	\$ 3,672,907	\$ 1,520,014

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 CHARTER SCHOOLS FUND – BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Other state sources	\$ -	\$ -	\$ 5,053	\$ 5,053
Other local sources	-	-	9,626	9,626
Total Revenues	-	-	14,679	14,679
EXPENDITURES				
Certificated salaries	-	-	3,792	(3,792)
Employee benefits	-	-	470	(470)
Books and supplies	-	-	67	(67)
Services and other operating expenditures	-	-	5,504	(5,504)
Total Expenditures	-	-	9,833	(9,833)
NET CHANGE IN FUND BALANCE	-	-	4,846	4,846
Fund Balance - Beginning	214,801	214,801	214,801	-
Fund Balance - Ending	\$ 214,801	\$ 214,801	\$ 219,647	\$ 4,846

Stony Point Academy voluntarily closed June 30, 2018. The District is in the process to close the Charter Schools Fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Other state sources	\$ 770,611	\$ 770,611	\$ 1,197,130	\$ 426,519
Other local sources	-	-	708	708
Total Revenues	770,611	770,611	1,197,838	427,227
EXPENDITURES				
Services and other operating expenditures	770,611	770,611	1,197,130	(426,519)
Total Expenditures	770,611	770,611	1,197,130	(426,519)
Excess (Deficiency) of Revenues				
Over Expenditures	-	-	708	708
Other Financing Sources (Uses)				
Transfers in	-	-	708	708
Net Financing Sources (Uses)	-	-	708	708
NET CHANGE IN FUND BALANCE	-	-	1,416	1,416
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 1,416	\$ 1,416

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because they do not include the \$23,414 audit adjustment to move state preschool funds that were incorrectly recorded to another fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.015%	0.016%	0.017%	0.014%	0.017%
District's proportionate share of the net pension liability	\$ 13,887,934	\$ 14,920,138	\$ 13,436,669	\$ 9,545,903	\$ 9,934,290
State's proportionate share of the net pension liability associated with the District	7,951,530	8,826,700	7,650,382	5,048,716	6,083,729
Total	<u>\$ 21,839,464</u>	<u>\$ 23,746,838</u>	<u>\$ 21,087,051</u>	<u>\$ 14,594,619</u>	<u>\$ 16,018,019</u>
District's covered payroll	\$ 8,171,302	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888	\$ 7,612,230
District's proportionate share of the net pension liability as a percentage of its covered payroll	170.0%	173.4%	165.8%	133.2%	130.5%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.024%	0.025%	0.025%	0.021%	0.017%
District's proportionate share of the net pension liability	\$ 6,502,793	\$ 5,982,092	\$ 4,290,132	\$ 3,051,014	\$ 1,963,971
District's covered payroll	\$ 3,214,696	\$ 3,183,793	\$ 2,613,482	\$ 1,885,925	\$ 1,817,121
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.3%	187.9%	164.2%	161.8%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,170,608	\$ 1,129,777	\$ 1,124,578	\$ 879,212	\$ 691,134
Contributions in relation to the contractually required contribution*	(1,170,608)	(1,129,777)	(1,124,578)	(879,212)	(691,134)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,248,549	\$ 8,171,302	\$ 8,604,873	\$ 8,102,865	\$ 7,166,888
Contributions as a percentage of covered payroll	16.15%	13.83%	13.07%	10.85%	9.64%

*Amounts do not include on-behalf contributions

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 512,971	\$ 4,999,999	\$ 442,771	\$ 309,043	\$ 269,714
Contributions in relation to the contractually required contribution*	(512,971)	(4,999,999)	(442,771)	(309,043)	(269,714)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,006,856	\$ 3,214,696	\$ 3,183,783	\$ 2,613,482	\$ 1,885,925
Contributions as a percentage of covered payroll	17.06%	155.54%	13.91%	11.82%	14.30%

*Amounts do not include on-behalf contributions

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Employee benefits	\$ 3,610,803	\$ 4,585,380	\$ 974,577
Other outgo			
Excluding transfers of indirect costs	\$ -	\$ 16,000	\$ 16,000
Transfers of indirect costs	\$ (40,373)	\$ -	\$ 40,373
Charter School Fund			
Certificated salaries	\$ -	\$ 3,792	\$ 3,792
Employee benefits	\$ -	\$ 470	\$ 470
Books and supplies	\$ -	\$ 67	\$ 67
Services and other operating expenditures	\$ -	\$ 5,504	\$ 5,504
Child Development Fund			
Services and other operating expenditures	\$ 770,611	\$ 1,197,130	\$ 426,519

SUPPLEMENTARY INFORMATION

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 464,402
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	73,361
Title III			
Title III, English Learner Student Program	84.365	14346	35,671
Title III, Immigrant Education Program	84.365	15146	5,488
Subtotal Title III			<u>41,159</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	9,365
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	506,233
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	48,707
Subtotal Special Education Cluster			<u>554,940</u>
Total U. S. Department of Education			<u>1,143,227</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	260,852
National School Lunch Program	10.555	13391	577,504
USDA Commodities	10.555	*	70,791
Subtotal Child Nutrition Cluster			<u>909,147</u>
Total U. S. Department of Agriculture			<u>909,147</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	36,013
Total U. S. Department of Health & Human Services			<u>36,013</u>
Total Federal Expenditures			<u>\$ 2,088,387</u>

* - Pass-Through Entity Identifying Number not available or not applicable

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2019**

	Second Period Report	Revised Second Period Report*	Annual Report	Revised Annual Report*
	Certificate No. 61C94D56	Certificate No. N/A	Certificate No. 6EF88D9C	Certificate No. N/A
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	882.17	881.97	881.51	881.20
Special Education - Nonpublic Schools	1.68	1.68	1.75	1.75
Total TK/K through Third	883.85	883.65	883.26	882.95
Fourth through Sixth				
Regular ADA	644.95	644.36	641.71	641.25
Special Education - Nonpublic Schools	8.15	8.15	8.22	8.22
Total Fourth through Sixth	653.10	652.51	649.93	649.47
TOTAL SCHOOL DISTRICT	1,536.95	1,536.16	1,533.19	1,532.42

*The Second Period and Annual Reports have not yet been revised.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	54,650	180	Complied
Grade 1	50,400	54,650	180	Complied
Grade 2	50,400	54,650	180	Complied
Grade 3	50,400	54,650	180	Complied
Grade 4	54,000	54,650	180	Complied
Grade 5	54,000	54,650	180	Complied
Grade 6	54,000	54,650	180	Complied

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 22,240,751	\$ 23,659,652	\$ 22,672,504	\$ 24,468,452
Expenditures And Other Financing Uses	21,936,357	21,840,923	21,756,078	2,689,169
Net change in Fund Balance	<u>\$ 304,394</u>	<u>\$ 1,818,729</u>	<u>\$ 916,426</u>	<u>\$ 21,779,283</u>
Ending Fund Balance	<u>\$ 3,977,301</u>	<u>\$ 3,672,907</u>	<u>\$ 1,854,178</u>	<u>\$ 937,752</u>
Available Reserves*	<u>\$ 2,813,192</u>	<u>\$ 3,676,867</u>	<u>\$ 710,088</u>	<u>\$ 655,280</u>
Available Reserves As A Percentage Of Outgo	<u>12.82%</u>	<u>16.83%</u>	<u>3.26%</u>	<u>24.37%</u>
Long-term Liabilities	<u>\$ 61,276,322</u>	<u>\$ 62,172,363</u>	<u>\$ 63,697,647</u>	<u>\$ 55,810,050</u>
Average Daily Attendance At P-2	<u>1,537</u>	<u>1,537</u>	<u>1,748</u>	<u>1,793</u>

The General Fund balance has increased by \$2,735,155 over the past two years. The fiscal year 2019-20 budget projects an increase of \$304,394. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2019-20 fiscal year. Total long-term obligations have increased by \$6,362,313 over the past two years.

Average daily attendance has decreased by 256 ADA over the past two years. No change in ADA is anticipated during the 2019-20 fiscal year. This decrease is largely due to the closure of Stony Point Academy.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

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

	General Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund
June 30, 2019, annual financial and budget report fund balance	\$ 3,672,907	\$ 1,416	\$ 241,213	\$ 3,960	\$ 5,511,092
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	3,960	-	-	(3,960)	-
Adjustment to due to/due from other funds	-	23,414	(23,414)	-	-
Adjustment to accounts receivable	-	-	113,209	-	-
Adjustment to accounts payable	-	-	-	-	59,850
Net adjustments and reclassifications	3,960	23,414	89,795	(3,960)	59,850
June 30, 2019, audited financial statement fund balance	\$ 3,676,867	\$ 24,830	\$ 331,008	\$ -	\$ 5,570,942

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019**

Charter #	Charter School	Status	Included in Audit Report
1511	Stony Point Academy	Closed	No*

*Stony Point Academy voluntarily closed June 30, 2018. The District is in the process to close the Charter Schools Fund.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 367,549	\$ 570,998	\$ 6	\$ 938,553
Accounts receivable	113,209	-	-	113,209
Due from other funds	980	-	-	980
Total Assets	\$ 481,738	\$ 570,998	\$ 6	\$ 1,052,742
LIABILITIES				
Accrued liabilities	\$ 6,230	\$ -	\$ -	\$ 6,230
Due to other funds	144,500	-	-	144,500
Total Liabilities	150,730	-	-	150,730
FUND BALANCES				
Restricted	331,008	570,998	6	902,012
Total Fund Balances	331,008	570,998	6	902,012
Total Liabilities and Fund Balance	\$ 481,738	\$ 570,998	\$ 6	\$ 1,052,742

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2019**

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES				
Federal sources	909,146	\$ -	\$ -	\$ 909,146
Other state sources	129,524	-	-	129,524
Other local sources	11,189	433,957	-	445,146
Total Revenues	<u>1,049,859</u>	<u>433,957</u>	<u>-</u>	<u>1,483,816</u>
EXPENDITURES				
Current				
Pupil services				
Food services	963,611	-	-	963,611
General administration				
All other general administration	-	31,315	-	31,315
Facilities acquisition and maintenance	-	143,224	-	143,224
Transfers to other agencies	-	96,472	-	96,472
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>963,611</u>	<u>271,011</u>	<u>-</u>	<u>1,234,622</u>
NET CHANGE IN FUND BALANCE	86,248	162,946	-	249,194
Fund Balance - Beginning	244,760	408,052	6	652,818
Fund Balance - Ending	<u>\$ 331,008</u>	<u>\$ 570,998</u>	<u>\$ 6</u>	<u>\$ 902,012</u>

See accompanying note to supplementary information.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019**

The Bellevue Union Elementary School District was established in 1949. The District is in Santa Rosa, California. There was no change in District boundaries during the year. The District operates four elementary schools.

GOVERNING BOARD

Member	Office	Term Expires
Lisa Reyes	President	December 2022
John Jarvis	Vice-President	December 2020
Adele Walker	Trustee	December 2020
Stephanie Merrida - Grant	Trustee	December 2022
Jamie Padilla	Trustee	December 2020

DISTRICT ADMINISTRATORS

David Alexander
Superintendent

Chris Kim
Chief Business Official

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2019**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 2,276,458
Qualified School Construction Bond Interest Subsidiary	N/A	<u>(188,071)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 2,088,387</u>

The District has not elected to use the 10 percent de minimis indirect cost rate.

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

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2019**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

Governing Board
Bellevue Union Elementary School District
Santa Rosa, 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 Bellevue Union Elementary School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Bellevue Union Elementary School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2019-001 through #2019-004)

Compliance and Other Matters

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

Bellevue Union Elementary School District's Response to Findings

Bellevue Union Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Bellevue Union Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Christy White, Inc.

San Diego, California
December 13, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

Report on Compliance for Each Major Federal Program

We have audited Bellevue Union Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bellevue Union Elementary School District's major federal programs for the year ended June 30, 2019. Bellevue Union Elementary School District's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bellevue Union Elementary School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bellevue Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bellevue Union Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Bellevue Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Bellevue Union Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bellevue Union Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bellevue Union Elementary School 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 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.

Christy White, Inc.

San Diego, California
December 13, 2019

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Bellevue Union Elementary School District
Santa Rosa, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bellevue Union Elementary School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Bellevue Union Elementary School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Bellevue Union Elementary School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Bellevue Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2019-005, #2019-006, and #2019-007. Our opinion on state compliance is not modified with respect to these matters.

Bellevue Union Elementary School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Bellevue Union Elementary School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes

(continued on next page)

Procedures Performed (continued):

PROGRAM NAME	PROCEDURES PERFORMED
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 Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
December 13, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
10.553 & 10.555	Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
 FINANCIAL STATEMENT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE

20000
 30000

AB 3627 FINDING TYPE

Inventory of Equipment
 Internal Control

FINDING #2019-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

- ASB Income statements or transaction summaries for the 2018-19 year were not available for review at Bellevue Elementary, Taylor Mountain, Kawana Springs Academy and Meadow View Elementary.
- Bank reconciliations were not performed for June 30, 2019 for the Kawana Springs Academy ASB bank account.

Cause: Insufficient financial controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that all sites that operate an ASB be able to produce an income statement or transaction summary over a given time period. In addition, bank reconciliations should be performed on a monthly basis. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The Bellevue Union School District has experienced substantial turnaround in administrative leadership and administrative office staff leading into the academic year. These transitions have resulted in new employees who may not be as of yet fully familiar with the accounting procedures and protocols associated with maintaining Associated Student Body accounts at the Site level. To reconcile this finding, the District will provide each student body account clerk with the latest FCMAT Accounting Manual as a point of reference and forward template income statements and transaction summaries for daily use.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-002: BIDDING PROCEDURES - CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT PARTICIPATING AGENCIES (30000)

Criteria: The California Uniform Public Construction Cost Accounting Act (CUPCCAA) under Public Contract Public Contract Code section 22000 was enacted to promote “uniformity of the cost accounting standards and bidding procedures on construction work performed or contracted by public entities in the state.” CUPCCAA is a voluntary program and requires public agencies to “opt in” to the provisions set forth in the Act per Public Contract Code section 22003. This requires the public agency to adopt, by Board Resolution, the uniform construction accounting procedures in order to utilize the bidding procedures set forth in the Act. The public agency is also required to submit this adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for placement on the Participating Agency Listing.

Condition: During our testing of bidding procedures, we identified that the District was not included on the California Uniform Construction Cost Accounting Commission Participating Agency Listing. The Board had adopted a resolution on April 14, 2015 to adopt the uniform construction accounting procedures but had not submitted this resolution for inclusion on the California Uniform Construction Cost Accounting Commission Participating Agency Listing.

Effect: The District had not completed the process to “opt in” to CUPCCAA but was performing bidding procedures under the Act.

Cause: Turnover in key positions in the business office created oversight in the submission of this resolution to the California Uniform Construction Cost Accounting Commission.

Repeat Finding: This is a repeat finding as there was a prior year finding related to bidding procedures.

Recommendation: We recommend that the District submit their adopted Board Resolution to the California Uniform Construction Cost Accounting Commission for inclusion on the Participating Agency Listing. Subsequent to the audit, the District submitted the adopted Board Resolution and is included on the Participating Agency Listing.

Corrective Action Plan: The District has completed the process to opt in to CUPCCAA. Confirmation of the District's participation was received in November 2019 and the District should now be listed as a participating agency.

FINDING #2019-003: CASH RECEIPT INTERNAL CONTROLS (30000)

Criteria: Proper internal controls over cash receipting require the following:

- Funds should be received and deposited in a timely manner, or within two weeks of receipt.
- If cash is received, a double count of funds should be performed by two separate and independent employees.
- All funds should be logged in a receipt book, or log, immediately upon receipt at the District office.
- Reconciliations between the receipt book, or log, and the bank statement should be performed on a monthly basis.
- Cash should not be sold in exchange for a check of the same dollar amount.
- All funds on hand should be held into a locked drawer or safe prior to deposit.

Condition: During our review of the internal controls over cash receipting procedures, we noted that the District was lacking internal controls over cash receipts including the following:

- Funds are not logged upon receipt at the District office
- Deposits appear to be made in an untimely manner
- There is a lack of segregation of duties over cash receipts as one staff member has the responsibility of custody of assets, record keeping and monitoring.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-003: CASH RECEIPT INTERNAL CONTROLS (30000), (continued)

Cause: Inadequate controls over cash receipting.

Effect: Without a proper documentation trail, it is not possible to verify if all collected items were deposited to the bank in a complete and timely manner. This issue could increase the risk of loss of theft.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that, in lieu of cash receipts being issued for all collections, a log be maintained to record all collections and allow for a more complete documentation trail to agree to bank deposits made. Additionally, we recommend that all receipts be deposited in a timely fashion and be supported with appropriate supporting documentation.

Corrective Action Plan: Although the District affirms that cash receipts were logged correctly in the District's Checking Account ledger (via Exchange Bank), the District will further reconcile all cash receipts in the form of an external log with corresponding supporting documentation.

FINDING #2019-004: INTERFUND BORROWING (30000)

Criteria: Per California Education Code Section 42603, interfund borrowings shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year. Borrowing shall occur only when the fund or account receiving the money will earn sufficient income, during the current fiscal year, to repay the amount transferred.

Condition: During the year ended June 30, 2018, the General Fund borrowed \$3,625 from the Charter Schools Fund, which was not repaid as of June 30, 2019. During the year ended June 30, 2018, the General Fund borrowed \$980 from the Cafeteria Fund, which was not repaid as of June 30, 2019.

Effect: The District is not in compliance with section of California Education Code outlined above.

Cause: Based on inquiry with management, this was caused by management oversight.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the amount detailed above to be repaid and that the District follows Education Code Section 42603 going forward.

Corrective Action Plan: The amount reflected above to be repaid have been transferred. Procedures will be implemented to ensure such transfers are completed in accordance with Education Code section 42603.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2019.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2019-005: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2018-19 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plan at Kawana Springs Elementary, it was noted that a comprehensive school safety plan was not developed and approved prior to the required deadline of March 1st for the current audit year. The District approved the Comprehensive School Safety Plans on September 17, 2019.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None. The District approved the Comprehensive School Safety Plans on September 17, 2019.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: The District's comprehensive safety plan was approved by the Board of Trustees on September 17, 2019. The District will continue to provide oversight and training to staff responsible for implementing this new requirement.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-006: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's public hearing for instructional materials occurred on October 16, 2019, which is after the eighth week from the first day of school year.

Cause: There were changes in personnel during this time which may have contributed to the late timing of the hearing.

Effect: The District is not in compliance with California Education Code Section 60119.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

Corrective Action Plan: The District will work to schedule a public hearing regarding instructional materials prior to the 8th week of the subsequent School Year.

FINDING #2019-007: ATTENDANCE REPORTING (10000)

Criteria: The Second Period report submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the local education agency's Average Daily Attendance (ADA) in accordance with California Education Code Section 46000 et seq.

Condition: During the testing of average daily attendance for the District's second reporting period and annual attendance reports, the auditor noted the following:

Second Period Attendance Report

- Regular ADA: Total net overstatement of 0.79 ADA, resulting from 0.20 ADA overstatement in Grades TK/K-3 and 0.59 overstatement in Grades 4-6.

Annual Attendance Report

- Regular ADA: Total net overstatement of 0.77 ADA, resulting from 0.31 ADA overstatement in Grades TK/K-3 and 0.46 overstatement in Grades 4-6.

Cause: Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period and Annual Attendance Reports are accurate.

Effect: Incorrect reporting of Regular ADA in the Second Period and Annual Attendance Reports can result in noncompliance with state regulations.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2019-007: ATTENDANCE REPORTING (10000), continued

Questioned Costs: The fiscal impact is \$6,047.81 owed by the District, as calculated in the table below. The errors noted for the District's P2 Attendance Report have not been revised to reflect the revised P2 report listed on the Schedule of Average Daily Attendance.

	P2 ADA Understatement (Overstatement)	2018-19 Derived Value of ADA by Grade Span	Questioned Cost
Grade TK-3	(0.20)	\$ 8,235.00	\$ (1,647.00)
Grade 4-6	(0.59)	\$ 7,459.00	(4,400.81)
	<u>(0.79)</u>		<u>\$ (6,047.81)</u>

There is no question cost related to the error noted for the Annual Attendance Report since the District is not funded on Annual Attendance. The District's Annual Attendance Report has not been revised to reflect the revised Annual report listing on the Schedule of Average Daily Attendance

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that proper procedures be established to ensure that the data within the attendance system and data reported on the Second Period and Annual Attendance Reports are accurate.

Corrective Action Plan: The Bellevue Union School District has experienced substantial turnaround in administrative leadership and administrative office staff leading into the academic year. These transitions have resulted in new employees who may not be as of yet fully familiar with the reconciliation procedures and protocols associated with reconciling monthly attendance. To this end, the District will review its attendance reporting procedures with each site to ensure accurate data.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

- Income statements or transaction summaries for the 2017-18 year were not available for review at Taylor Mountain Elementary and Stony Point Academy.
- Bank reconciliations were not performed for June 30, 2018 for Kawana Springs Academy and Stony Point Academy.

Cause: Insufficient financial controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Context: Testing was performed at a sample of the District's student body accounts.

Recommendation: We recommend that all sites that operate an ASB be able to produce an income statement or transaction summary over a given time period. In addition, bank reconciliations should be performed on a monthly basis. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The District Office will develop a business procedure on behalf of the School Sites with template income statements and transaction summaries. Bank reconciliations by the School Site will be compiled by the District Office on a quarterly basis. The District will provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual as a point of reference.

Current Status: Not implemented, see Finding #2019-001.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-002 – BIDDING PROCEDURES (30000)

Criteria: *Public Contract Code (PCC)* requires school district governing boards to competitively bid and award any construction contracts involving an expenditure of more than \$15,000, adjusted for inflation, to the lowest responsible bidder.

Condition: Upon review of projects for the 2017-18 year, the district did not follow Public Contract Code regarding bidding procedures.

Cause: Inconsistent procedures involving bid practices.

Effect: If the District does not consistently follow *PCC* then contracts may get awarded to a vendor that was not the lowest responsible bidder and may end up causing the District to pay more for services or products and be out of compliance with *PCC*. In addition, the risk for fraud and material misstatement is increased.

Context: Audit of 1 project that went to bid resulted in the deficiencies noted above.

Recommendation: We recommend the District review their bid procedures to ensure that all contracts required to go to bid, do go to bid and all bids are awarded to the appropriate vendor. If the lowest bidder is not selected, then documentation around disqualification of the vendor must be on file.

Corrective Action: The District will review its bid procedures to ensure that all contracts required to go to bid follow the protocols established under the public contract code. The guidelines will be reviewed with the members of the District's business leadership team during subsequent cabinet meetings.

Current Status: Partially implemented, see Finding #2019-002

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-003: CASH RECEIPTS INTERNAL CONTROL (30000)

Criteria: Proper internal controls over cash receipts and revenue require proper supporting documentation to substantiate the expending or receipt of District funds. In addition, deposits should be made in a timely manner.

Condition: During our testing of internal control procedures related to cash receipting at the district level we noted deficiencies in internal controls regarding best business practices.

We noted the following internal control weaknesses:

- We noted deficiencies in the supporting documentation to support cash receipts and revenue. In most cases these transactions only had support from the financial system.
- Four (4) out of twenty-five (25) receipts selected for testing were not deposited in a timely manner.

Context: The audit included an evaluation of internal control procedures over cash receipts and revenue testing at the District Office.

Cause: Inadequate controls and monitoring over the cash receipt and revenue cycle.

Effect: Deficiencies in internal controls related to cash receipting procedures could lead to inaccuracies or increase the risk of misappropriation of funds.

Recommendation: We recommend to management to implement a process for issuing that all cash receipt and revenue are supported by adequate supporting documentation in addition to the recording of these items in the financial system. In addition, we recommend that deposits be made in a timely manner.

Corrective Action Plan: The District's Chief Business Official will take direct ownership over this process from the Business Department and implement an updated procedure for issuing cash receipts which include the inclusion of adequate supporting documentation, recording of records in the financial information system, and timely depositing of funds.

Current Status: Partially implemented, see Finding #2019-003.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-004: CONTROLS OVER DISTRICT CREDIT CARDS (30000)

Criteria: The District should maintain and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Only authorized users are provided with and may use the credit cards.
- Deadlines for submitting proper expenditure support are met along with adequate support for the purchase.
- Prior approvals for purchases are obtained and documented.
- The Business Services department is monitoring monthly expenditures for appropriateness and reasonableness.

Condition: Through our test of internal controls over credit cards, we noted 7 of 25 credit cards transactions tested were missing receipts to support the transactions.

Context: 25 credit card transactions were tested during the months of August 2017, September 2017, January 2018, February 2018, March 2018 and April 2018.

Cause: Policies in place are not adequately designed or implemented.

Effect: There is a risk of fraud and abuse of District funds through unauthorized credit card purchases.

Recommendations: We recommend that the District strengthen their current credit card use policy. Credit card holders should be aware of the requirements for use of credit cards including the approval of credit card purchases, submission of credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

Corrective Action Plan: The District will establish updated credit card use procedures that guide monthly reconciliation of receipts and monitoring of credit card purchases.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-005: INTERNAL CONTROLS OVER CASH DISBURSEMENTS (30000)

Criteria: Expenditures processed through the warrant disbursement process should obtain proper approval and funds should be encumbered prior to purchases of goods or services. For proper budgeting practices, the District should also be monitoring any open purchase orders to verify total approved purchase order amount is not exceeded. In addition, purchases should be properly coded to allocate expenditures accurately to the District's various educational programs.

Condition: During our testing of internal control procedures related to cash disbursements at the district level we noted deficiencies in internal controls regarding best business practices.

We noted four (4) out of twenty-five (25) disbursements tested had purchase orders dated after the invoice date.

Context: The audit included an evaluation of internal control procedures over cash disbursements at the District Office.

Cause: Inadequate controls and monitoring over the cash disbursement cycle. Supporting documentation for expenditures was kept in multiple locations within the District Office rather than one centralized location.

Effect: The possibility to circumvent the purchasing process and not encumber funds or obtain required approvals. Potential for inappropriate or unapproved use of District funds and errors in accounting records related to expenditures.

Recommendation: We recommend that all purchases be substantiated by completed purchase orders before the disbursement of funds are made. We recommend that all supporting documentation for cash disbursements be easily accessible and readily available. Filing of Accounts Payable back-up should be in a centralized location so that all support is easy to access and is available for review. Supporting documentation for cash disbursements should include the following (at a minimum): 1) copy of warrant, 2) complete itemized invoice or receipt, and 3) purchase order.

Corrective Action Plan: The District will work to ensure that all purchase orders are filed in a readily accessible location prior to the disbursement of funds. The Business Office shall establish a procedure that ensures the following three documents are always included: (1) A copy of the warrant, (2) itemized invoice, and (3) purchase order.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-006: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the public hearing for instructional materials must occur on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District's public hearing for instructional materials occurred on October 7, 2018, which is after the eighth week from the first day of school year.

Cause: There were changes in personnel during this time which may have contributed to the late timing of the hearing.

Effect: The District is not in compliance with California Education Code Section 60119.

Context: The instructional materials public hearing was reviewed for Bellevue Union School District for the 2017-18 year.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the public hearing for instructional materials occurs on or before the end of the eighth week from the first day pupils attended school for that year.

Corrective Action Plan: The District will work to schedule a public hearing for instructional materials prior to the end of the 8th week from the first day pupils attend school for the year.

Current Status: Not implemented, see Finding #2019-006.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-007: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, an elementary school district should expend a minimum of 60% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2017-18 fiscal year, Bellevue Union Elementary School District did not meet the minimum percentage requirement.

Cause: The District has not met this requirement for the 2017-18 year. There recently was turnover in the District Office.

Context: The minimum percentage required by the State of California is 60% for an Elementary School District. Bellevue Union Elementary School District only spent 59.67% on classroom teacher salaries in the 2017-18 fiscal year.

Effect: The District's current expense of education for the year audited June 30, 2018 was \$16,493,460.99 and the total salaries and benefits for classroom teachers was \$9,841,952.05. The District was below the minimum required percentage of 60% by 0.33% which calculates out to a deficiency of \$54,428.42.

Questioned Costs: The questioned costs are the deficiency of \$54,428.42.

Recommendations: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 60% minimum requirement and to be in compliance with Education Code section 41372.

Corrective Action Plan: The District reduced its administrative overhead cost related to non-classroom salaries as part of its 2018-19 spending reduction plan. It is projected that the District will meet the 60% minimum percentage requirement in subsequent years.

Current Status: Implemented.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-008: ATTENDANCE REPORTING (10000)

Criteria: The Second Period and Annual Attendance reports submitted to the California Department of Education (CDE) should reconcile to the supporting documents that support the local education agency’s Average Daily Attendance (ADA) in accordance with California Education Code Section 46000 et seq.

Condition: During the testing of average daily attendance for the District’s second reporting period, the auditor noted the following:

- Regular ADA: Total net understatement of 0.08 ADA, resulting from 0.24 ADA understatement in Grades TK/K-3 and 0.16 overstatement in Grades 4-6.

During the testing of average daily attendance for the District’s annual reporting period, the auditor noted the following:

- Special Education – Nonpublic Schools: Total net understatement of 10.54 ADA, resulting from 4.56 ADA understatement in Grades TK/K-3 and 5.98 understatement in Grades 4-6.

Cause: Controls over attendance reporting are not in place to assure that the amounts reported on the Second Period Report and Annual Report are accurate.

Effect: Incorrect reporting of Regular ADA in the Second Period Report and Special Education – Nonpublic Schools ADA in the Annual Report can result in noncompliance with state regulations.

Questioned Costs: The fiscal impact is \$820.26 due to the District, as calculated in the table below. The errors noted for the District’s P2 Attendance Report have not been revised to reflect the revised P2 report listed on the Schedule of Average Daily Attendance.

	P2 ADA		2017-18	
	Understatement (Overstatement)		Derived Value of ADA by Grade Span	Questioned Cost
Grade TK-3	0.24	\$	9,506.17	\$ 2,281.48
Grade 4-6	(0.16)	\$	9,132.64	(1,461.22)
Total	<u>0.08</u>		Total	<u>\$ 820.26</u>

There is no question cost related to the error noted for the Annual Attendance Report since the District is not funded on Annual Attendance. The District’s Annual Attendance Report has not been revised to reflect the revised Annual report listing on the Schedule of Average Daily Attendance.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-008: ATTENDANCE REPORTING (10000) (continued)

Recommendation: We recommend that proper procedures be established to ensure that the data within the attendance system and data reported on the Second Period Attendance Report are accurate.

Corrective Action Plan: The District will review its attendance reporting procedures with each Site and ensure that monthly reconciliations are performed.

Current Status: Not Implemented, see Finding #2019-007.

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) (who are not directly certified) and/or English Learner on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: The following errors were noted during the testing of the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report for Stony Point Academy:

- 1 out of 4 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM and English Learner was not properly designated as FRPM or English Learner. This error rate was extrapolated to the population of the test resulting in a total error of 4 students.
- 1 out of 4 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English Learner was not properly designated as an English Learner. This error rate was extrapolated to the population of the test resulting in a total error of 3 students.

Combining the two exceptions noted above, this resulted in a total error of 7 students that were not properly classified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report.

Cause: Incorrect classification of students. This error was noted due to the fact that Stony Point Academy closed on June 30, 2018 and documentation could not be located.

Effect: The District is not in compliance with State requirements.

Context: 7 of 282 (84 in 2015-16, 94 in 2016-17, and 104 in 2017-18) students reported in Stony Point Academy's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: \$6,268, as calculated below:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2			387	
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2			283	
3	Audit Adjustment - Number of Enrollment				
4	Audit Adjustment - Number of Unduplicated Pupil Count			(7)	
5	Revised Adjusted Enrollment			387	
6	Revised Adjusted Unduplicated Pupil Count			276	
7	UPP calculated as of P-2			0.7313	
8	Revised UPP for audit finding			0.7132	
9	Charter Schools Only: Determinative School District Concentration Cap			0.9048	
10	Revised UPP adjusted for Concentration Cap			0.7132	
LCFF Target Supplemental Grant Funding Audit Adjustment		TK/K-3	4-6	7-8	9-12
9	Supplemental and Concentration Grant ADA	0.66	0.19	75.93	64.21
10	Adjusted Base Grant per ADA	\$7,941	\$7,301	\$7,518	\$8,939
11	Target Supplemental Grant Funding calculated as of P-2				\$168,410
12	Revised Target Supplemental Grant Funding for audit finding				\$164,243
13	Target Supplemental Grant Funding audit adjustment				(\$4,167)
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				\$104,379
15	Revised Target Concentration Grant Funding for audit finding				\$93,958
16	Target Concentration Grant Funding audit adjustment				(\$10,421)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				(\$14,588)
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.4296644273
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				(\$6,268)

**BELLEVUE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2019**

FINDING #2018-009: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Recommendation: We recommend that the District ensure that all students listed as FRPM or EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

Corrective Action Plan: The District will review its CalPADS reporting procedures to ensure that proper supporting documentation is tagged to each student designation.

Current Status: Implemented.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SANTA ROSA AND SONOMA COUNTY

The following information concerning the City of Santa Rosa and Sonoma County is included only for the purpose of supplying general information regarding the vicinity of the District. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City of Santa Rosa (the “City”) is located in the central portion of Sonoma County (the “County”), covers an area of about 35 square miles. The City is centered at the crossroads of U.S. Highway 101 and State Route 12. Incorporated in 1868, the City became a charter city in 1872. The City operates under the council-manager form of government, with a City Council comprised of seven members elected to serve overlapping four-year terms. On November 6, 2018, the City transitioned from at-large to district-based elections. The City Council, which acts as the City's legislative and policy-making body, also selects the City Manager. As the City's chief administrator, the City Manager is responsible for implementing the policies established by the City Council.

The County. One of California's original 27 counties (incorporated in 1850), the County is the northernmost of the nine greater San Francisco Bay Area counties. Bordered on the north and east by Mendocino, Lake, and Napa counties and to the west and south by the Pacific Ocean, Marin County, and San Pablo Bay, its area encompasses 1,598 square miles.

Geographically, Sonoma County is divided almost equally into mountainous regions, rolling hills and valley land. Three narrow valleys, separated by mountains, run northwest to southeast. Elevations range from sea level to 4,262 feet at Mt. Saint Helena, where Sonoma, Napa, and Lake counties converge.

[Remainder of page intentionally left blank]

Population

The historic population estimates of the towns and cities that are in the County, as of January 1 of the past five years are shown in the following table:

COUNTY OF SONOMA Population 2015 through 2019

Area	2015	2016	2017	2018	2019
Cloverdale	8,860	8,918	9,003	9,141	9,257
Cotati	7,476	7,486	7,497	7,739	7,919
Healdsburg	11,868	11,918	11,943	12,232	12,501
Petaluma	60,237	60,757	61,124	62,251	62,247
Rohnert Park	41,687	41,969	42,034	43,178	43,339
Santa Rosa	175,154	176,005	176,790	177,017	175,625
Sebastopol	7,622	7,658	7,666	7,808	7,885
Sonoma	11,126	11,157	11,185	11,423	11,556
Windsor	27,623	27,777	27,836	28,356	28,565
Unincorporated	149,229	149,488	149,781	143,721	141,781
County Total	500,882	503,133	504,859	502,866	500,675

Source: California State Department of Finance, Demographic Research Unit

Employment and Industry

The City is included in the Santa Rosa Metropolitan Statistical Area (“MSA”), which consists of the County. The unemployment rate in Sonoma County was 2.8% in February 2020, down from a revised 2.9% in January 2020, and below the year-ago estimate 3.0%. This compares with an unadjusted unemployment rate of 4.3% for California and 3.8% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2015 through 2019.

**SANTA ROSA MSA
(SONOMA COUNTY)**
**Annual Averages of Civilian Labor Force, Employment and Unemployment
and Employment by Industry
Calendar Years 2015 through 2019
(March 2019 Benchmark)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Civilian Labor Force ⁽¹⁾	257,600	259,200	260,100	260,900	259,400
Employment	246,100	248,900	251,300	253,600	252,400
Unemployment	11,600	10,300	8,800	7,300	7,000
Unemployment Rate	4.5%	4.0%	3.4%	2.8%	2.7%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	6,000	6,100	6,100	6,700	6,500
Mining and Logging	200	200	200	200	200
Construction	11,600	12,400	13,100	15,200	16,500
Manufacturing	22,000	22,700	23,000	23,400	23,400
Wholesale Trade	7,200	7,300	7,400	7,500	7,600
Retail Trade	24,700	25,000	25,100	24,900	24,300
Transportation, Warehousing and Utilities	4,300	4,200	4,000	4,100	4,200
Information	2,700	2,700	2,700	2,700	2,600
Financial Activities	8,100	8,400	8,800	8,900	8,800
Professional and Business Services	20,800	21,200	22,100	23,200	23,500
Educational and Health Services	32,100	33,000	34,100	34,800	35,800
Leisure and Hospitality	24,700	25,400	25,700	25,700	25,800
Other Services	7,000	7,200	7,200	7,100	7,200
Federal Government	1,300	1,300	1,400	1,300	1,300
State Government	5,100	5,000	4,800	4,400	3,800
Local Government	25,400	26,000	26,100	25,400	24,400
Total, All Industries ⁽³⁾	203,000	208,100	211,700	215,400	215,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the largest employers within the County, in alphabetical order.

COUNTY OF SONOMA Major Employers (As of April 2020)

Employer Name	Location	Industry
Aabalat Fine & Rare Wines	Petaluma	Wineries (mfrs)
Amy's Kitchen Inc	Santa Rosa	Frozen Food Processors (mfrs)
Amys Kitchen	Santa Rosa	Frozen Food Processors (mfrs)
Army National Guard Recruiter	Santa Rosa	Government Offices-State
Fairmont Sonoma Msn Inn & Spa	Sonoma	Hotels & Motels
First Security Svc	Rohnert Park	Security Guard & Patrol Service
Flex Products	Santa Rosa	Coatings-Vacuum Deposition (mfrs)
Freeman Motors	Santa Rosa	Automobile Dealers-Used Cars
Ghilotti Construction Co	Santa Rosa	Excavating Contractors
Kaiser Permanente Santa Rosa	Santa Rosa	Hospitals
La Torilla Factory	Santa Rosa	Factory Outlets
Macy's	Santa Rosa	Department Stores
Medtronic Cardiovascular	Santa Rosa	Surgical Instruments-Manufacturers
Petaluma Valley Hospital	Petaluma	Hospitals
Protransport-1 LLC	Cotati	Transportation Services
Redwood Empire Recycling	Santa Rosa	Recycling Centers (whls)
Santa Rosa Memorial Hospital	Santa Rosa	Hospitals
Santa Rosa Police Dept	Santa Rosa	Police Departments
Sonoma County Fire Svc	Santa Rosa	Fire Departments
Sonoma County Sheriff	Santa Rosa	Government Offices-County
Sonoma Developmental Ctr	Eldridge	Hospitals
Sonoma Valley Hospital	Sonoma	Hospitals
Sutter Santa Rosa Regl Hosp	Santa Rosa	Hospitals
US Coast Guard	Petaluma	Federal Government-Transportation Pgrms
Walmart	Windsor	Department Stores

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

[Remainder of page intentionally left blank]

Effective Buying Income

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

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

COUNTY OF SONOMA Effective Buying Income

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2016	Santa Rosa	\$4,565,210	\$52,843
	Sonoma County	14,241,130	56,067
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Santa Rosa	\$4,937,452	\$56,521
	Sonoma County	15,518,066	60,353
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Santa Rosa	\$5,144,498	\$58,681
	Sonoma County	16,179,391	62,413
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Santa Rosa	\$5,527,794	\$63,733
	Sonoma County	17,456,950	68,021
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Santa Rosa	\$5,715,357	\$67,255
	Sonoma County	18,287,988	71,696
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for 2019.

Total taxable sales during the first three quarters of calendar year 2019 in the City were reported to be \$2,590,089,854, a 0.83% decrease over the total taxable sales of \$2,611,664,650 reported during calendar year 2018.

CITY OF SANTA ROSA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	3,498	\$2,540,708	5,250	\$3,073,610
2015 ⁽¹⁾	3,308	2,579,495	5,699	3,147,615
2016	3,393	2,675,876	5,859	3,213,648
2017	3,462	2,772,545	6,037	3,302,272
2018	3,591	2,932,744	6,412	3,574,341

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable transactions in the County during the first three quarters of calendar year 2019 were reported to be \$7,298,195,223, a 0.12% decrease from the total taxable sales of \$7,307,091,465 that were reported during the first three quarters of calendar year 2018. A summary of historic taxable sales within the County is shown in the following table.

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

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	Numbers of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2014	11,881	\$5,931,984	18,179	\$8,467,551
2015 ⁽¹⁾	8,999	6,104,395	19,916	8,704,969
2016	7,295	5,667,430	11,236	8,671,625
2017	11,366	6,679,426	20,533	9,393,597
2018	11,380	7,116,968	21,096	9,985,463

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF SANTA ROSA Total Building Permit Valuations (Figures in Thousands) 2014 through 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$38,616.3	\$25,397.3	\$29,331.7	\$58,523.7	\$722,634.2
New Multi-family	6,475.3	2,475.2	12,671.8	11,537.1	30,300.5
Res. Alterations/Additions	<u>17,349.9</u>	<u>26,601.6</u>	<u>20,405.5</u>	<u>28,614.2</u>	<u>32,726.7</u>
Total Residential	62,441.5	54,474.1	62,389.0	98,675.0	785,661.4
New Commercial	10,726.1	16,748.9	20,191.4	13,039.4	28,841.5
New Industrial	0.0	0.0	156.4	0.0	0.0
New Other	1,911.5	5,247.4	5,572.7	9,174.4	25,645.2
Com. Alterations/Additions	<u>29,499.3</u>	<u>43,025.5</u>	<u>24,201.2</u>	<u>44,712.4</u>	<u>37,078.6</u>
Total Nonresidential	42,136.9	65,021.8	50,121.7	66,926.2	91,565.3
<u>New Dwelling Units</u>					
Single Family	186	96	108	240	1,585
Multiple Family	<u>64</u>	26	<u>142</u>	<u>100</u>	120
TOTAL	250	122	250	340	1,705

Source: Construction Industry Research Board, Building Permit Summary.

SONOMA COUNTY Total Building Permit Valuations (Dollars in Thousands) 2014 through 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Permit Valuation</u>					
New Single-family	\$69,788.4	\$65,968.4	\$112,941.1	\$202,169.1	\$1,071,852.3
New Multi-family	91,806.3	27,797.3	26,149.2	46,674.0	127,743.3
Res. Alterations/Additions	<u>64,228.0</u>	<u>78,005.1</u>	<u>71,079.1</u>	<u>97,326.9</u>	<u>96,590.5</u>
Total Residential	225,822.7	171,770.8	210,169.4	346,170.0	1,296,186.1
New Commercial	55,718.9	53,975.7	93,462.5	79,737.8	141,873.8
New Industrial	0.0	2,484.9	156.4	759.6	1,277.3
New Other	8,657.2	16,513.4	19,255.1	25,572.7	66,129.7
Com. Alterations/Additions	<u>70,889.7</u>	<u>84,641.9</u>	<u>79,943.6</u>	<u>99,102.9</u>	<u>124,238.1</u>
Total Nonresidential	135,265.8	157,615.9	192,817.6	205,173.0	333,518.9
<u>New Dwelling Units</u>					
Single Family	292	236	560	881	3,247
Multiple Family	<u>214</u>	<u>206</u>	<u>264</u>	<u>351</u>	<u>1,057</u>
TOTAL	506	442	824	1,232	4,304

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

All modes of commercial transportation are available in the County. The Petaluma River is capable of handling water barge freight from the San Francisco Bay to Petaluma. Northwestern Pacific Railroad provides rail transportation with the County with connections to major rail interchanges. The Sonoma County Airport, located just outside the City of Santa Rosa, handles commercial and private air traffic, with several airlines providing regional air transportation. Seven private airfields serve the County as well. In addition, highways dissect the County; the major freeway is U.S. Highway 101 which runs from Marin and San Francisco Counties in the south to Mendocino County in the north. State Highway 12 is the major east-west thoroughfare from Bodega Bay on the western coastline to Sonoma on the east.

Education

The County is divided into 40 school districts for kindergarten through twelfth-grade (K-12) educational services. There are 31 elementary, 3 high school, and 6 unified districts. Unified districts operate both elementary and secondary schools for the students residing within their boundaries.

Although many districts are small in size, approximately 71,000 students attend the 179 public schools that are located in Sonoma County. There are 111 elementary, 28 middle/junior high, and 19 high schools, as well as 14 alternative schools and 7 independent study schools. Fifty-six of Sonoma County's public schools are charter schools. Eighty-one schools have been named California Distinguished Schools and eleven have been recognized as National Blue Ribbon Schools.

[Remainder of page intentionally left blank]

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

_____, 2020

Board of Trustees
Bellevue Union School District
3150 Education Drive,
Santa Rosa, California 95407

OPINION: \$ _____ Bellevue Union School District
 (Sonoma County, California)
 General Obligation Bonds Election of 2020, Series A (Bank Qualified)

Members of the Board of Trustees:

We have acted as bond counsel to the Bellevue Union School District (the “District”) in connection with the issuance by the District of \$ _____ principal amount of Bellevue Union School District (Sonoma County, California) General Obligation Bonds Election of 2020, Series A, 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 (the “Act”), and a resolution adopted by the Board of Trustees of the District (the “Board”) on April 21, 2020 (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 other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the 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 County of Sonoma is obligated to levy *ad valorem* taxes

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

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code 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

\$ _____
BELLEVUE UNION SCHOOL DISTRICT
(Sonoma County, California)
General Obligation Bonds
Election of 2020, Series A
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Bellevue Union School District (the “**District**”) in connection with the issuance and delivery of the captioned bonds (the “**Bonds**”). The captioned Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on April 21, 2020 (the “**Resolution**”). The Bank of New York Mellon Trust Company, N.A., as agent for Sonoma County, 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 Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” 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 March 31).

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

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

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

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

“*Paying Agent*” means the County of Sonoma, through its agent, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

“*Participating Underwriter*” means Raymond James & Associates, the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2021 with the report for the 2019-20 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

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

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information with respect to the most recently completed fiscal year, as follows:

- (i) total assessed valuation of taxable properties in the District;
- (ii) total assessed valuation of taxable properties of the top twenty taxpayers in the District;
- (iii) property tax collection delinquencies for the District, but only if *ad valorem* taxes for general obligation bonds are not collected on the County's Teeter Plan and such information is available from the County at the time of filing the Annual Report; and
- (iv) the District's most recently adopted budget available at the time of filing the Annual Report.

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

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

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, 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. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

(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 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of

U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

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

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

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds,

after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

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

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

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

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

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

Date: _____, 2020

BELLEVUE UNION SCHOOL DISTRICT

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Bellevue Union School District (the "District")

Name of Bond Issue: \$_____ Bellevue Union School District General Obligation Bonds, Election of 2020, Series A (Bank Qualified)

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of _____, 2020. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

BELLEVUE UNION SCHOOL DISTRICT:

By: _____
Its: _____

cc: Paying Agent and Participating Underwriter

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") 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

SONOMA COUNTY INVESTMENT POLICY AND REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

COUNTY OF SONOMA



STATEMENT OF INVESTMENT POLICY

Effective 12-10-2019

TABLE OF CONTENTS

	Page
1. Policy Statement	2
2. Standards of Care	2
3. Investment Objectives	2
(a) Safety of Capital	2
(b) Liquidity	2
(c) Maximum Rate of Return	2
4. Implementation	3
5. Participants	3
(a) Statutory Participants	3
(b) Voluntary Participants	3
6. Authorized Persons	3
7. Authorized Investments	4
8. Prohibited Investments	4
9. Investment Criteria	5
10. Bankers' Acceptance	6
11. Commercial Paper	6
12. Repurchase and Reverse Repurchase Agreements/Securities Lending Agreements	6
13. Mutual Funds and Money Market Mutual Funds	6
14. Joint Powers Agreement	6
15. Collateral	7
16. Criteria for the Selection of Broker/Dealers and Financial Institutions	7
17. Withdrawal Requests	7
(a) Statutory Participants	7
(b) Voluntary Participants	8
18. Delivery & Safekeeping	8
19. Apportionment of Interest & Costs	8
20. Review, Monitoring and Reporting of the Portfolio	8
21. Limits on Honoraria, Gifts and Gratuities	9
22. Audits	9
23. Exception to Policy	9
24. Investment of Bond Proceeds	9
25. Disaster Recovery Plan	9
26. Glossary of Terms	11

COUNTY OF SONOMA

STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Sonoma:

1. POLICY STATEMENT

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Sonoma County Pooled Investment Fund (Pooled Investment Fund). Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

2. STANDARDS OF CARE

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer, employees involved in the investment process and the members of the Treasury Oversight Committee (Oversight Committee) shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in the Policy.

3. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

- [a] **SAFETY OF CAPITAL** - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.
- [b] **LIQUIDITY** - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.
- [c] **MAXIMUM RATE OF RETURN** - As the third objective, the Pooled Investment

Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

Social and Environmental Consideration: Whenever possible and consistent with the above statutory objectives, investment opportunities will be evaluated for social and environmental impacts. The intent of this Policy is to create positive impacts by investing in socially and environmentally responsible agencies and corporations as defined by priorities set by the Board of Supervisors.

4. IMPLEMENTATION

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Treasury Oversight Committee and the Board of Supervisors, and has provided the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investible funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the reporting requirements; the Treasury Oversight Committee; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. PARTICIPANTS

- [a] **STATUTORY PARTICIPANTS** - General Participants are those government agencies within the County of Sonoma for which the Sonoma County Treasurer is statutorily designated as the Custodian of Funds.
- [b] **VOLUNTARY PARTICIPANTS** - Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must approve in writing the Pooled Investment Fund as an authorized investment and accept the County of Sonoma Investment Policy.

6. AUTHORIZED PERSONS

The Sonoma County Board of Supervisors, by resolution, has delegated investment responsibility for the Sonoma County Investment Program to the Auditor-Controller-Treasurer-Tax Collector. Daily management responsibility of the investment program has been assigned to the Assistant Auditor-Controller-Treasurer-Tax Collector. The Treasury Manager or the Investment and Debt Officer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting as a trustee in a like capacity and familiarity would use in the conduct of funds of a like character, and with like aims, to safeguard the principal and maintain the liquidity needs of depositors.

7. AUTHORIZED INVESTMENTS

Authorized investments shall match the general categories established by the California Government Code Section 53635, et. seq., and further defined by California Government Code Section 53601, et. seq.. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. As the California Government Code is amended, this Policy shall likewise become amended.

8. PROHIBITED INVESTMENTS

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

9. INVESTMENT CRITERIA

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S Treasury and Agency Securities (§53601 (b & f))	5 years	100	N/A
Obligations Issued or Unconditionally Guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation or Inter-American Development Bank (§53601 (q))	5 years	30	AA
Bonds and Notes issued by local agencies (§53601 (a & e))	5 years	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 (c & d))	5 years	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Term Corporate Notes (§53601 (k))	5 years	30	A
Mutual Funds & Money Market Mutual Funds (See Section 13) (§53601 (l))	N/A	20	Aaa & AAAm
Collateralized Mortgage Obligations (§53601 (o))	5 years	20	AA
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649et seq.)	5 years	N/A	N/A

10. BANKERS' ACCEPTANCE

No more than 30 percent of the agency's surplus funds may be invested in the Bankers' Acceptances of any one commercial bank pursuant to this section.

11. COMMERCIAL PAPER

All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's Corporation, a "P-1" rating by Moody's Investor Service, or a "F-1" rating by Fitch Financial Services, issued by corporations operating within the United States, and having total assets in excess of five hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

No more than 10% of the total assets of the investments held by a local agency may be invested in any one issuer's Commercial Paper.

12. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS

Under California Government Code Section 53601, Paragraph (j) and Section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. The maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

13. MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601, subdivisions (a) to (k), inclusive, or subdivisions (m) to (o) and with assets under management in excess of five hundred million dollars (\$500,000,000.00).

No more than 10% of the agency's funds may be invested in any one Mutual Fund.

14. JOINT POWERS AGREEMENT

With approval of the Board of Supervisors, the Treasurer is allowed to enter into a Joint Powers Agreement with governments whose policies are consistent with or more restrictive than Sonoma County's Statement of Investment Policy.

15. COLLATERAL

Repurchase agreements executed with approved broker-dealers must be collateralized with either: (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

16. CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS

All transactions initiated on behalf of the Pooled Investment Fund and Sonoma County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial Institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed . All brokers/dealers and financial institutions must have a strong industry reputation and open lines of credit with other dealers. Further, these firms must have an investment grade rating from at least one national rating service, if applicable.

Broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Sonoma County shall, at least annually, supply the County Treasurer with financial statements.

17. WITHDRAWAL REQUESTS

- [a] **STATUTORY PARTICIPANTS** - The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Sonoma County Auditor-Controller at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County

Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

- [b] **VOLUNTARY PARTICIPANTS** - For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

18. DELIVERY & SAFEKEEPING

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

19. APPORTIONMENT OF INTEREST & COSTS

Interest shall be apportioned to all Pooled Investment Fund participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Pooled Investment Fund. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer shall deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code. The deduction shall be adjusted to actual cost in the fourth quarter of the fiscal year and/or the first quarter of the following fiscal year.

20. REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO

Quarterly, the County Treasurer will provide to the Treasury Oversight Committee, the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the Pooled Investment Fund's ability to meet the expected expenditure requirements for the next six months.

Annually, the County Treasurer shall provide to the Treasury Oversight Committee a Statement of Investment Policy. Additionally, the County Treasurer will render a copy of the Statement of Investment Policy to the Board of Supervisors and to the legislative body of the local agencies that participate in the Pooled Investment Fund.

21. *LIMITS ON HONORARIA, GIFTS AND GRATUITIES*

In accordance with California Government Code Section 27133 (d), et seq., this Policy hereby establishes limits for the County Treasurer, individuals responsible for management of the portfolios, and members of the Oversight Committee. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of \$50 in a calendar 12 month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC). Any violation must be reported to the FPPC on an annual basis.

22. *AUDITS*

The Treasury Oversight Committee shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

23. *EXCEPTION TO POLICY*

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the Pooled Investment Fund participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

24. *INVESTMENT OF BOND PROCEEDS*

The County Treasurer shall invest bond proceeds using the standards of the County of Sonoma's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Sonoma's Investment Policy.

25. *DISASTER RECOVERY PLAN*

The County Treasurer's Disaster Recovery Plan includes contact information for the Treasury staff and key county personnel, as well as contact information for authorized banks and brokers.

Copies of the plan have been distributed to the investment staff: Assistant Treasurer-Tax Collector, Treasury Manager, and Investment and Debt Officer.

In the event we are unable to conduct normal business operations, the investment staff shall interact with one another by home phone, cell phone, or e-mail to decide on an alternate location from which to conduct daily operations. If unable to contact one another, the investment staff shall establish contact with one another through the County Office of Emergency Services.

GLOSSARY OF TERMS

ACCRUED INTEREST

Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCES

A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT

One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BOOK VALUE

The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER

Any person engaged in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

COMMERCIAL PAPER

Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE

The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CREDIT RISK

The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD

The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS

CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT

The amount by which the par value of a security exceeds the price paid for the security.

EARNINGS APPORTIONMENT

The quarterly interest distribution to the Pooled Investment Fund Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pooled Investment Fund.

FAIR VALUE

The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS

Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE

Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)

This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FLOATING RATE NOTE

A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST

The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LOCAL AGENCY INVESTMENT FUND (LAIF)

The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET VALUE

The price at which a security is trading and could presumably be purchased or sold.

MATURITY

The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND

A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

PAR

The stated maturity value, or face value, of a security.

PAR VALUE

The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM

The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE

A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

REPURCHASE AGREEMENT OR RP OR REPO

An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SECURITIES LENDING

A transaction wherein the Treasurer's Pooled Investment Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE

The date on which the purchase or sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

TRADE DATE

The date and time corresponding to an investor's commitment to buy or sell a security.

WEIGHTED AVERAGE MATURITY

The remaining average maturity of all securities held in a portfolio.

**QUARTERLY REPORT AND CERTIFICATION
OF THE COUNTY TREASURER
For Quarter Ending March 31, 2020**

The Government Code requires the County Treasurer to render a Quarterly Report to the County Administrator, the Board of Supervisors, the County Auditor, the Treasury Oversight Committee, and the participants of the Treasury Pool.

The Quarterly Report shall state compliance of the portfolio to the County Investment Policy and denote the ability of the pool to meet its pool's expenditures for the next six months, or provide an explanation as to why sufficient money shall or may not be available.

COMPLIANCE CERTIFICATION

I certify that the investments of the Sonoma County Investment Pool are in compliance with the County Investment Policy.

I further certify that the pool has sufficient cash flow available to meet all budgeted expenditure requirements for the next six months.

Erick Roeser
Treasurer
County of Sonoma

**SONOMA COUNTY POOLED INVESTMENT PROGRAM
For Quarter Ending March 31, 2020**

BEGINNING FUND BALANCE (01/01/2020)	\$2,774,533,225
ENDING FUND BALANCE	\$2,754,751,883
AVERAGE DAILY FUND BALANCE	\$2,752,358,224
TOTAL INTEREST EARNED (after fees)	\$13,885,071
INTEREST RATE (after fees)	2.023
INTEREST RATE (before fees)	2.069

TOTAL FUNDS MANAGED BY TREASURY

TOTAL TREASURY BALANCE (including tobacco endowment, PACE bond investments, active bank accounts and money in transit)	\$2,764,140,903
---	-----------------

SONOMA COUNTY QUARTERLY INVESTMENT REPORT
For Quarter Ending March 31, 2020

INVESTMENT POOL YIELD:

The yield during this quarter is 2.069% before fees and 2.023% after fees.

MARKET VALUE:

The market value of the portfolio as of March 31, 2020, is at 100.30% of cost. The market values are up from the last Quarterly Report. Market values were obtained from SunGard Financial Systems and Bloomberg.

REVERSE REPURCHASE AGREEMENTS:

The pool has no reverse repurchase agreements.

WEIGHTED AVERAGE MATURITY:

The weighted average days to maturity is 875 days.

Excluding SCEIP investments, the weighted average days to maturity is 859 days.

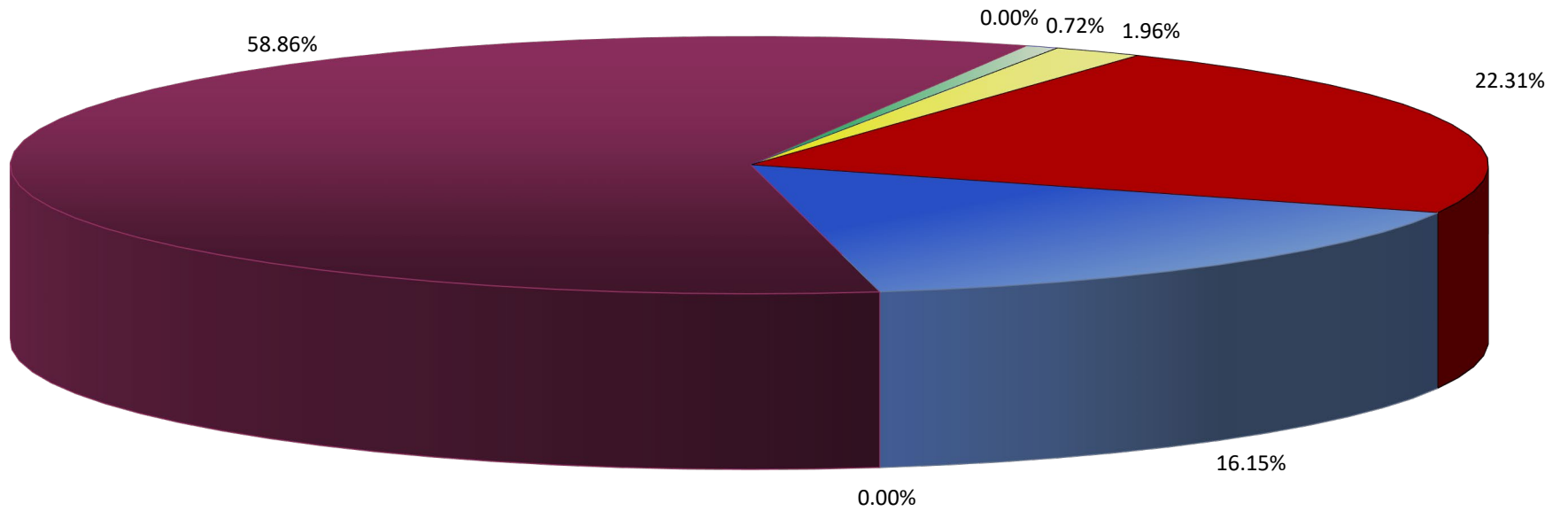
CHARTS:

- Chart 1:** The composition of the Investment Pool by the type of investment.
Chart 2: Interest earnings of the Sonoma County Investment Pool compared to FED FUNDS and Local Agency Investment Fund.

DETAILED LISTING OF INVESTMENTS:

A detailed listing of all investments for the Pooled Investment Fund is located at the end of this report.

SONOMA COUNTY'S POOLED INVESTMENTS AS OF 03/31/2020

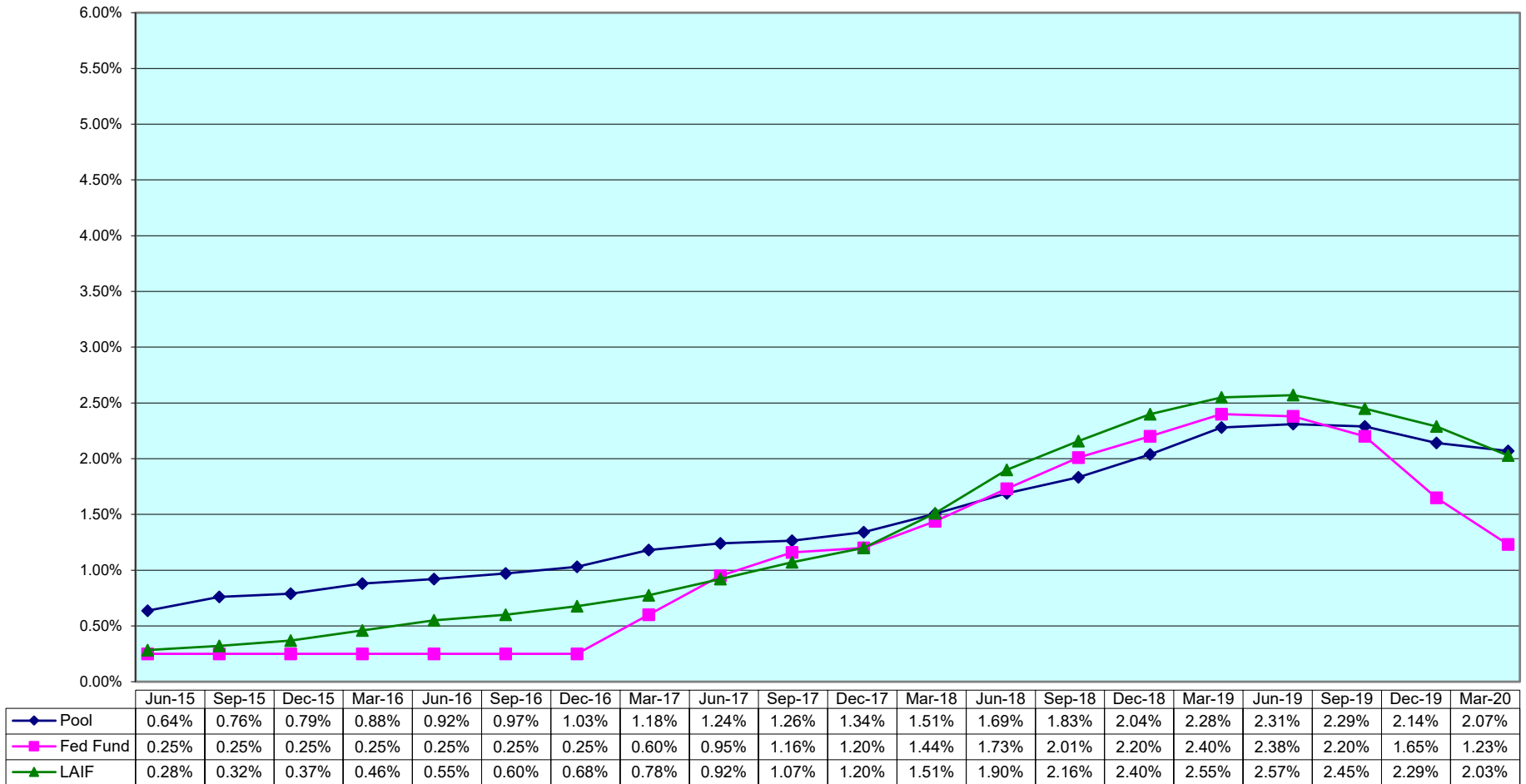


GOVERNMENT POOLS & JPA's
CASH, CHECKS, AND WARRANTS
NEGOTIABLE CERTIFICATES OF DEPOSIT

OTHER GOVERNMENTS
MONEY MARKET MUTUAL FUNDS

TREASURY BILLS AND NOTES
CORPORATE NOTES AND BONDS

SONOMA COUNTY TREASURER INVESTMENT POOL QUARTERLY YIELD COMPARISON



*This does not include special TRAN investments & deferred compensation
 Source: County of Sonoma, Office of the Auditor-Controller-Treasurer-Tax Collector

**SONOMA COUNTY POOLED INVESTMENTS
AS OF 3/31/2020**

BOOK VALUE

CHECKS AND WARRANTS IN TRANSIT	\$0
CASH IN VAULT	\$40,385
CASH IN BANK	\$19,745,003
TREASURY BILLS AND NOTES	\$0
BANKERS ACCEPTANCES	\$0
OTHER GOVERNMENTS	\$1,621,401,771
COMMERCIAL PAPER	\$0
CORPORATE BONDS AND NOTES	\$614,472,204
NEGOTIABLE CERTIFICATES OF DEPOSIT	\$445,000,000
OTHER GOVERNMENT POOLS AND JPA'S	\$0
MONEY MARKET MUTUAL FUNDS	\$54,092,520
TOTAL	\$2,754,751,883

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FEDERAL FARM CREDIT BANK	04/13/2020	04/13/2018	2.37500	2.40257	10,000,000.00	9,999,912.14
FEDERAL HOME LOAN BANK	04/27/2020	10/28/2016	1.30000	1.30000	10,000,000.00	10,000,000.00
UNIV CALIFORNIA	05/15/2020	03/30/2020	1.87700	1.87700	2,390,000.00	2,406,822.61
FEDERAL HOME LOAN BANK	05/28/2020	05/21/2018	2.62500	2.62892	15,000,000.00	14,999,907.32
SONOMA VALLEY HCD N	05/31/2020	03/19/2020	2.80000	2.80000	1,000,000.00	1,000,000.00
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.57240	10,000,000.00	9,999,578.47
FEDERAL FARM CREDIT BANK	06/11/2020	06/11/2018	2.55000	2.56989	10,000,000.00	9,999,625.68
CDC NOTE 2019 SERIE	06/15/2020	06/15/2019	2.30000	2.30000	2,520,000.00	2,520,000.00
AIRPORT NOTE 2020-1	06/15/2020	07/01/2019	3.10000	3.10000	1,000,000.00	1,000,000.00
AIRPORT NOTE 2020-2	06/15/2020	07/01/2019	3.10000	3.10000	1,500,000.00	1,500,000.00
FEDERAL FARM CREDIT BANK	06/24/2020	12/24/2018	2.75000	2.73904	5,000,000.00	5,000,122.63
SONOMA COUNTY WATER	07/01/2020	10/29/2015	1.75000	1.65038	225,000.00	225,053.62
SCEIP 2009E-10	09/02/2020	11/02/2009	3.00000	3.00000	3,911.61	3,911.61
SCEIP 2009F-10	09/02/2020	12/01/2009	3.00000	3.00000	5,146.34	5,146.34
SCEIP 2010A-10	09/02/2020	01/04/2010	3.00000	3.00000	4,141.73	4,141.73
SCEIP 2010B-10	09/02/2020	02/01/2010	3.00000	3.00000	3,438.13	3,438.13
SCEIP 2010C-10	09/02/2020	03/01/2010	3.00000	3.00000	10,706.68	10,706.68
SCEIP 2010D-10	09/02/2020	04/01/2010	3.00000	3.00000	2,305.80	2,305.80
SCEIP 2010E-10	09/02/2020	05/03/2010	3.00000	3.00000	3,102.79	3,102.79
SCEIP 2010F-10	09/02/2020	06/01/2010	3.00000	3.00000	12,443.76	12,443.76
SCEIP 2010G-10	09/02/2020	06/30/2010	3.00000	3.00000	12,137.89	12,137.89
SCEIP 2010H-10	09/02/2020	08/02/2010	3.00000	3.00000	4,564.73	4,564.73
SCEIP 2010I-10	09/02/2020	09/01/2010	3.00000	3.00000	1,322.68	1,322.68
FEDERAL HOME LOAN BANK	09/11/2020	12/10/2019	2.87500	1.62504	8,865,000.00	8,913,690.05
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	17,000,000.00	17,000,000.00
FEDERAL FARM CREDIT BANK	10/13/2020	10/13/2016	1.34000	1.34000	3,000,000.00	3,000,000.00
FEDERAL NATL MTG ASSN	10/30/2020	10/30/2017	1.80000	1.80000	5,000,000.00	5,000,000.00
FHLMC	12/18/2020	12/18/2017	2.00000	2.00000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	12/30/2020	09/30/2019	1.96000	1.96000	20,000,000.00	20,000,000.00
FEDERAL HOME LOAN BANK	02/03/2021	02/12/2020	1.50000	1.54031	6,900,000.00	6,900,265.85
FHLMC	02/16/2021	12/30/2019	2.37500	1.64541	2,507,000.00	2,522,764.48
FEDERAL FARM CREDIT BANK	03/02/2021	12/10/2019	1.67000	1.67000	11,000,000.00	11,000,000.00
FEDERAL NATL MTG ASSN	04/13/2021	04/13/2018	2.50000	2.55993	15,000,000.00	14,991,125.36
UNIV CALIFORNIA	05/15/2021	11/13/2019	1.91000	1.81934	3,710,000.00	3,713,703.63
FEDERAL HOME LOAN BANK	06/11/2021	12/13/2019	2.25000	1.69740	4,310,000.00	4,338,485.23
FEDERAL HOME LOAN BANK	06/11/2021	12/30/2019	5.62500	1.65570	1,035,000.00	1,086,286.67
FEDERAL NATL MTG ASSN	06/22/2021	06/25/2018	2.75000	2.75812	20,000,000.00	19,998,118.78
FEDERAL NATL MTG ASSN	06/22/2021	12/30/2019	2.75000	1.65486	5,150,000.00	5,221,015.06
FEDERAL FARM CREDIT BANK	06/24/2021	06/24/2019	2.10000	2.10000	20,000,000.00	20,000,000.00
SCEIP 2010J-10	09/02/2021	10/01/2010	3.00000	3.00000	3,217.27	3,217.27
SCEIP 2010L-10	09/02/2021	12/01/2010	3.00000	3.00000	25,551.24	25,551.24
SCEIP 2011A-10	09/02/2021	01/03/2011	3.00000	3.00000	2,254.45	2,254.45
SCEIP 2011C-10	09/02/2021	03/01/2011	3.00000	3.00000	9,039.62	9,039.62
SCEIP 2011D-10	09/02/2021	04/01/2011	3.00000	3.00000	53,798.38	53,798.38
SCEIP 2011E-10	09/02/2021	05/02/2011	3.00000	3.00000	5,539.93	5,539.93
SCEIP 2011F-10	09/02/2021	06/01/2011	3.00000	3.00000	3,357.73	3,357.73
SCEIP 2011G-10	09/02/2021	06/30/2011	3.00000	3.00000	2,482.19	2,482.19
SCEIP 2011H-10	09/02/2021	08/01/2011	3.00000	3.00000	10,802.49	10,802.49
FEDERAL HOME LOAN BANK	09/10/2021	12/13/2019	2.37500	1.68161	3,200,000.00	3,231,345.33
FEDERAL FARM CREDIT BANK	09/20/2021	12/20/2019	1.65000	1.67903	15,000,000.00	14,993,832.90
FEDERAL FARM CREDIT BANK	09/20/2021	12/30/2019	2.85000	1.64527	1,000,000.00	1,017,354.48
FEDERAL FARM CREDIT BANK	10/07/2021	12/30/2019	1.95000	1.64487	1,250,000.00	1,261,281.80
FHLMC	10/08/2021	10/08/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	01/11/2022	01/11/2019	2.62500	2.62500	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	02/24/2022	02/24/2020	1.54000	1.54000	15,000,000.00	15,000,000.00

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
CALIFORNIA STATE	04/01/2022	11/18/2019	2.35000	1.80825	3,680,000.00	3,730,111.25
FHLMC	04/08/2022	04/08/2019	2.50000	2.50000	20,000,000.00	20,000,000.00
FHLMC	04/22/2022	04/22/2019	2.50000	2.50000	14,175,000.00	14,175,000.00
FEDERAL FARM CREDIT BANK	06/13/2022	12/13/2019	1.74000	1.77080	20,000,000.00	19,986,807.23
FEDERAL FARM CREDIT BANK	07/01/2022	07/01/2019	1.75000	1.80021	15,000,000.00	14,983,594.96
FEDERAL FARM CREDIT BANK	07/01/2022	07/01/2019	2.09000	2.09000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	07/22/2022	07/22/2019	2.11000	2.11000	20,000,000.00	20,000,000.00
FHLMC	08/26/2022	11/26/2019	1.80000	1.80000	10,000,000.00	10,000,000.00
CALIFORNIA STATE	09/01/2022	03/24/2020	5.00000	2.60008	2,415,000.00	2,557,410.43
SCEIP 2011J-10	09/02/2022	10/03/2011	3.00000	3.00000	1,552.75	1,552.75
SCEIP 2011K-10	09/02/2022	11/01/2011	3.00000	3.00000	17,424.55	17,424.55
SCEIP 2012A-10	09/02/2022	01/03/2012	3.00000	3.00000	1,658.29	1,658.29
SCEIP 2012B-10	09/02/2022	02/01/2012	3.00000	3.00000	3,289.83	3,289.83
SCEIP 2012C-10	09/02/2022	03/01/2012	3.00000	3.00000	3,931.98	3,931.98
SCEIP 2012D-10	09/02/2022	04/02/2012	3.00000	3.00000	4,160.78	4,160.78
SCEIP 2012G-10	09/02/2022	06/29/2012	3.00000	3.00000	2,508.27	2,508.27
SCEIP 2012H-10	09/02/2022	08/01/2012	3.00000	3.00000	5,221.60	5,221.60
FHLMC	09/16/2022	12/16/2019	1.80000	1.81910	8,725,000.00	8,721,101.96
FHLMC	10/14/2022	10/15/2019	1.92000	1.92000	10,000,000.00	10,000,000.00
FHLMC	10/17/2022	10/17/2019	1.90000	1.90000	11,500,000.00	11,500,000.00
FHLMC	10/17/2022	10/17/2019	1.90000	1.90000	8,500,000.00	8,500,000.00
FEDERAL HOME LOAN BANK	11/04/2022	12/11/2019	1.80000	1.77488	17,340,000.00	17,382,933.29
FHLMC	01/17/2023	01/23/2020	1.80000	1.80000	20,000,000.00	20,006,000.00
FEDERAL NATL MTG ASSN	01/17/2023	01/17/2020	1.80000	1.80000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	01/27/2023	01/27/2020	1.70000	1.70000	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	01/30/2023	01/30/2020	1.75000	1.75000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	02/21/2023	02/21/2020	1.75000	1.75000	10,000,000.00	10,000,000.00
FEDERAL HOME LOAN BANK	02/21/2023	03/02/2020	1.75000	1.73605	20,000,000.00	20,018,473.45
CALIFORNIA STATE	03/01/2023	03/24/2020	4.00000	2.65112	5,410,000.00	5,616,353.33
FEDERAL FARM CREDIT BANK	04/17/2023	04/17/2019	2.67000	2.67000	10,000,000.00	10,000,000.00
FHLMC	06/16/2023	12/16/2019	1.80000	1.82370	17,690,000.00	17,677,032.87
FEDERAL FARM CREDIT BANK	06/19/2023	06/19/2019	2.40000	2.40000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	06/19/2023	06/19/2019	2.40000	2.40000	15,000,000.00	15,000,000.00
FHLMC	06/23/2023	12/23/2019	1.87500	1.87500	10,000,000.00	10,000,000.00
LA UNIFIED SCHOOLS	07/01/2023	03/27/2020	5.00000	1.76004	1,645,000.00	1,832,094.58
FHLMC	07/06/2023	01/06/2020	1.85000	1.85000	15,200,000.00	15,200,000.00
FEDERAL FARM CREDIT BANK	07/13/2023	01/21/2020	1.78000	1.81422	10,000,000.00	9,993,098.98
FEDERAL NATL MTG ASSN	07/24/2023	01/24/2020	1.85000	1.85000	15,000,000.00	15,000,000.00
FHLMC	07/28/2023	10/28/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
FHLMC	08/10/2023	11/08/2019	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	08/11/2023	02/11/2020	1.70000	1.72069	20,000,000.00	19,986,548.16
FHLMC	08/28/2023	11/27/2019	1.80000	1.80000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	08/28/2023	09/10/2019	1.92000	1.92519	10,000,000.00	9,998,281.78
SCEIP 2012J-10	09/02/2023	11/01/2012	3.00000	3.00000	28,054.84	28,054.84
SCEIP 2013A-10	09/02/2023	01/02/2013	3.00000	3.00000	4,487.06	4,487.06
SCEIP 2013C-10	09/02/2023	03/01/2013	3.00000	3.00000	10,688.33	10,688.33
SCEIP 2013E-10	09/02/2023	05/01/2013	3.00000	3.00000	4,489.38	4,489.38
SCEIP 2013H-10	09/02/2023	08/01/2013	3.00000	3.00000	9,282.17	9,282.17
SCEIP 2013I-10	09/02/2023	09/03/2013	3.00000	3.00000	15,271.02	15,271.02
FEDERAL FARM CREDIT BANK	09/11/2023	09/11/2019	1.90000	1.90000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	09/11/2023	03/12/2020	1.40000	1.40000	25,000,000.00	25,000,972.22
FHLMC	10/10/2023	01/10/2020	1.85000	1.85000	15,000,000.00	15,000,000.00
FHLMC	10/13/2023	01/13/2020	1.83000	1.83000	22,200,000.00	22,200,000.00
FEDERAL FARM CREDIT BANK	10/13/2023	01/13/2020	1.84000	1.84000	20,000,000.00	20,000,000.00
FEDERAL NATL MTG ASSN	10/30/2023	02/05/2020	1.70000	1.70577	6,940,000.00	6,940,307.64

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FHLMC	12/18/2023	12/18/2019	1.75000	1.75000	20,000,000.00	20,000,000.00
FHLMC	01/08/2024	01/08/2020	1.90000	1.90000	15,000,000.00	15,000,000.00
FEDERAL NATL MTG ASSN	01/17/2024	01/17/2020	1.87500	1.87500	10,000,000.00	10,000,000.00
FEDERAL NATL MTG ASSN	01/17/2024	01/24/2020	1.87500	1.88282	10,000,000.00	10,000,786.13
FHLMC	02/05/2024	02/05/2020	1.75000	1.75650	21,550,000.00	21,544,819.00
FHLMC	02/12/2024	02/12/2020	1.80000	1.80000	6,845,000.00	6,845,000.00
FEDERAL NATL MTG ASSN	02/14/2024	02/19/2020	1.75000	1.75780	10,000,000.00	9,999,517.09
FEDERAL FARM CREDIT BANK	02/20/2024	02/20/2020	1.77000	1.77000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	02/20/2024	02/28/2020	1.77000	1.77000	11,491,000.00	11,495,519.79
FEDERAL FARM CREDIT BANK	03/05/2024	03/05/2020	1.50000	1.50000	22,300,000.00	22,300,000.00
FEDERAL FARM CREDIT BANK	03/12/2024	03/12/2020	1.21000	1.21000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	03/12/2024	03/12/2020	1.21000	1.21000	10,000,000.00	10,000,000.00
FEDERAL FARM CREDIT BANK	03/12/2024	03/13/2020	1.21000	1.21000	10,000,000.00	10,000,336.11
FEDERAL HOME LOAN BANK	03/25/2024	03/25/2020	1.55000	1.55000	12,545,000.00	12,545,000.00
FEDERAL HOME LOAN BANK	03/25/2024	03/25/2020	1.35000	1.35000	12,000,000.00	12,000,000.00
FHLMC	03/26/2024	12/30/2019	2.00000	2.00000	21,200,000.00	21,200,000.00
FHLMC	04/15/2024	04/15/2019	2.65000	2.65000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	05/06/2024	02/12/2020	1.77000	1.80101	20,000,000.00	19,981,692.88
FHLMC	05/15/2024	05/15/2019	2.65000	2.65000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	06/03/2024	03/03/2020	1.67000	1.67000	25,000,000.00	25,000,000.00
FEDERAL FARM CREDIT BANK	07/08/2024	07/08/2019	2.23000	2.23000	15,000,000.00	15,000,000.00
FHLMC	07/15/2024	07/15/2019	2.30000	2.30000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	07/23/2024	01/27/2020	1.97000	1.97000	15,000,000.00	15,003,283.33
CALIFORNIA STATE	08/01/2024	03/24/2020	5.00000	2.70010	1,800,000.00	1,981,276.84
FEDERAL FARM CREDIT BANK	08/12/2024	08/12/2019	2.12000	2.12000	15,000,000.00	15,000,000.00
FHLMC	08/19/2024	02/19/2020	1.82000	1.82000	25,000,000.00	25,000,000.00
SCEIP 2013J-10	09/02/2024	10/01/2013	3.00000	3.00000	60,266.37	60,266.37
SCEIP 2013L-10	09/02/2024	12/02/2013	3.00000	3.00000	14,041.85	14,041.85
SCEIP 2014B-10	09/02/2024	02/03/2014	3.00000	3.00000	9,794.36	9,794.36
SCEIP 2014C-10	09/02/2024	03/03/2014	3.00000	3.00000	26,777.31	26,777.31
SCEIP 2014D-10	09/02/2024	04/01/2014	3.00000	3.00000	3,751.25	3,751.25
SCEIP 2014F-10	09/02/2024	06/02/2014	3.00000	3.00000	1,958.08	1,958.08
SCEIP 2014H-10	09/02/2024	08/01/2014	3.00000	3.00000	24,907.70	24,907.70
SCEIP 2014I-10	09/02/2024	09/02/2014	3.00000	3.00000	3,272.86	3,272.86
FEDERAL FARM CREDIT BANK	09/05/2024	03/06/2020	1.55000	1.55000	20,000,000.00	20,000,861.11
FEDERAL FARM CREDIT BANK	09/05/2024	03/06/2020	1.55000	1.55000	20,000,000.00	20,000,861.11
FEDERAL HOME LOAN BANK	09/11/2024	03/11/2020	1.30000	1.30000	20,000,000.00	20,000,000.00
FEDERAL FARM CREDIT BANK	09/12/2024	03/13/2020	1.25000	1.25000	25,000,000.00	25,000,868.06
FEDERAL FARM CREDIT BANK	09/16/2024	09/20/2019	1.96000	2.05534	10,000,000.00	9,959,788.80
FEDERAL HOME LOAN BANK	09/26/2024	11/26/2019	2.05000	2.05000	20,000,000.00	20,000,000.00
CALIFORNIA STATE	10/01/2024	03/24/2020	5.00000	2.70008	4,590,000.00	5,144,412.01
FHLMC	10/09/2024	10/09/2019	2.10000	2.10000	13,055,000.00	13,055,000.00
FEDERAL HOME LOAN BANK	10/09/2024	10/11/2019	2.10000	2.10847	11,500,000.00	11,497,177.74
FHLMC	10/21/2024	10/21/2019	2.12500	2.12500	12,650,000.00	12,650,000.00
FHLMC	10/28/2024	10/28/2019	2.75000	2.75000	25,000,000.00	25,000,000.00
CALIFORNIA STATE	11/01/2024	03/24/2020	5.00000	4.60066	2,500,000.00	2,590,333.48
FEDERAL FARM CREDIT BANK	11/06/2024	02/06/2020	1.81000	1.83231	12,000,000.00	11,988,380.40
FHLMC	11/27/2024	12/06/2019	2.00000	2.00846	7,000,000.00	7,000,102.41
FHLMC	11/27/2024	12/06/2019	2.00000	2.01268	18,325,000.00	18,323,875.09
FHLMC	01/13/2025	01/13/2020	2.02000	2.02000	16,550,000.00	16,550,000.00
FHLMC	01/17/2025	01/17/2020	2.05000	2.05000	13,525,000.00	13,525,000.00
FEDERAL NATL MTG ASSN	02/18/2025	02/21/2020	1.90000	1.90209	10,000,000.00	10,000,605.26
FEDERAL NATL MTG ASSN	02/26/2025	02/26/2020	1.85000	1.85000	14,260,000.00	14,260,000.00
FHLMC	02/27/2025	03/06/2020	1.50000	1.50000	4,350,000.00	4,351,631.25
FHLMC	03/04/2025	03/04/2020	1.70000	1.70000	5,000,000.00	5,000,000.00

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
FHLMC	03/04/2025	03/04/2020	1.60000	1.60000	15,000,000.00	15,000,000.00
FHLMC	03/12/2025	03/12/2020	1.60000	1.60000	15,000,000.00	15,000,000.00
FEDERAL FARM CREDIT BANK	03/17/2025	03/17/2020	1.22000	1.22207	29,500,000.00	29,497,074.23
FEDERAL FARM CREDIT BANK	03/17/2025	03/19/2020	1.12500	1.13016	2,650,000.00	2,649,507.85
FHLMC	03/21/2025	03/23/2020	1.18000	1.18000	25,000,000.00	25,000,000.00
SCEIP 2014J-10	09/02/2025	10/01/2014	3.00000	3.00000	3,367.28	3,367.28
SCEIP 2014K-10	09/02/2025	11/03/2014	3.00000	3.00000	13,544.23	13,544.23
SCEIP 2014L-10	09/02/2025	12/01/2014	3.00000	3.00000	17,233.72	17,233.72
SCEIP 2015A-10	09/02/2025	01/05/2015	3.00000	3.00000	19,698.40	19,698.40
SCEIP 2015C-10	09/02/2025	03/02/2015	3.00000	3.00000	2,556.56	2,556.56
SCEIP 2015F-10	09/02/2025	06/01/2015	3.00000	3.00000	7,245.59	7,245.59
SCEIP 2015H-10	09/02/2025	08/03/2015	3.00000	3.00000	14,215.67	14,215.67
SCEIP 2015I-10	09/02/2025	09/02/2015	3.00000	3.00000	11,682.32	11,682.32
SCEIP 2015J-10	09/02/2026	10/01/2015	3.00000	3.00000	15,431.33	15,431.33
SCEIP 2015K-10	09/02/2026	11/02/2015	3.00000	3.00000	48,477.73	48,477.73
SCEIP 2015L-10	09/02/2026	12/01/2015	3.00000	3.00000	30,570.23	30,570.23
SCEIP 2016B-10	09/02/2026	02/01/2016	3.00000	3.00000	12,074.45	12,074.45
SCEIP 2016D-10	09/02/2026	04/01/2016	3.00000	3.00000	14,970.94	14,970.94
SCEIP 2016G-10	09/02/2026	06/30/2016	3.00000	3.00000	187,987.80	187,987.80
SCEIP 2016H-10	09/02/2026	08/01/2016	3.00000	3.00000	2,041.99	2,041.99
SCEIP 2016I-10	09/02/2026	09/02/2016	3.00000	3.00000	47,335.01	47,335.01
SCEIP 2016K-10	09/02/2027	11/01/2016	3.00000	3.00000	69,367.43	69,367.43
SCEIP 2016L-10	09/02/2027	12/01/2016	3.00000	3.00000	18,158.65	18,158.65
SCEIP 2017A-10	09/02/2027	01/03/2017	3.00000	3.00000	16,343.39	16,343.39
SCEIP 2017B-10	09/02/2027	02/01/2017	3.00000	3.00000	48,598.74	48,598.74
SCEIP 2017F-10	09/02/2027	06/01/2017	3.00000	3.00000	8,641.36	8,641.36
SCEIP 2017I-10	09/02/2027	09/05/2017	3.00000	3.00000	8,103.77	8,103.77
SCEIP 2017J-10	09/02/2028	10/02/2017	3.00000	3.00000	111,771.73	111,771.73
SCEIP 2017L-10	09/02/2028	12/01/2017	3.00000	3.00000	84,713.69	84,713.69
SCEIP 2018C-10	09/02/2028	03/02/2018	3.00000	3.00000	13,585.81	13,585.81
SCEIP 2018D-10	09/02/2028	04/02/2018	3.00000	3.00000	45,278.48	45,278.48
SCEIP 2018F-10	09/02/2028	06/01/2018	3.00000	3.00000	16,656.99	16,656.99
SCEIP 2018G-10	09/02/2028	06/29/2018	3.00000	3.00000	60,448.27	60,448.27
SCEIP 2009B-20	09/02/2029	06/01/2009	3.00000	3.00000	60,583.20	60,583.20
SCEIP 2009C-20	09/02/2029	07/01/2009	3.00000	3.00000	39,534.81	39,534.81
SCEIP 2009D-20	09/02/2029	08/03/2009	3.00000	3.00000	190,550.57	190,550.57
SCEIP 2009E-20	09/02/2029	09/01/2009	3.00000	3.00000	1,842,978.69	1,842,978.69
SCEIP 2009F-20	09/02/2029	10/01/2009	3.00000	3.00000	558,068.47	558,068.47
SCEIP 2018J-10	09/02/2029	10/01/2018	3.00000	3.00000	142,388.16	142,388.16
SCEIP 2018K-10	09/02/2029	11/01/2018	3.00000	3.00000	69,036.38	69,036.38
SCEIP 2018L-10	09/02/2029	12/03/2018	3.00000	3.00000	9,782.77	9,782.77
SCEIP 2019B-10	09/02/2029	02/01/2019	3.00000	3.00000	36,903.49	36,903.49
SCEIP 2019C-10	09/02/2029	03/01/2019	3.00000	3.00000	10,975.88	10,975.88
SCEIP 2019D-10	09/02/2029	04/02/2019	3.00000	3.00000	49,788.62	49,788.62
SCEIP 2019E-10	09/02/2029	05/01/2019	3.00000	3.00000	70,115.58	70,115.58
SCEIP 2019G-10	09/02/2029	06/28/2019	3.00000	3.00000	27,717.14	27,717.14
SCEIP 2019H-10	09/02/2029	08/01/2019	3.00000	3.00000	35,798.09	35,798.09
SCEIP 2019I-10	09/02/2029	09/02/2019	3.00000	3.00000	16,061.24	16,061.24
SCEIP 2019J-10	09/02/2029	10/01/2019	3.00000	3.00000	30,586.55	30,586.55
SCEIP 2009G-20	09/02/2030	11/02/2009	3.00000	3.00000	237,439.76	237,439.76
SCEIP 2009H-20	09/02/2030	12/01/2009	3.00000	3.00000	1,058,506.95	1,058,506.95
SCEIP 2010A-20	09/02/2030	01/04/2010	3.00000	3.00000	761,576.62	761,576.62
SCEIP 2010B-20	09/02/2030	02/01/2010	3.00000	3.00000	712,766.49	712,766.49
SCEIP 2010C-20	09/02/2030	03/01/2010	3.00000	3.00000	503,604.33	503,604.33
SCEIP 2010D-20	09/02/2030	04/01/2010	3.00000	3.00000	443,639.79	443,639.79

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
SCEIP 2010E-20	09/02/2030	05/03/2010	3.00000	3.00000	320,906.67	320,906.67
SCEIP 2010F-20	09/02/2030	06/01/2010	3.00000	3.00000	662,681.43	662,681.43
SCEIP 2010G-20	09/02/2030	06/30/2010	3.00000	3.00000	411,025.93	411,025.93
SCEIP 2010H-20	09/02/2030	08/02/2010	3.00000	3.00000	255,851.91	255,851.91
SCEIP 2010I-20	09/02/2030	09/01/2010	3.00000	3.00000	557,076.74	557,076.74
SCEIP 2020A-10	09/02/2030	01/02/2020	3.00000	3.00000	38,996.71	38,996.71
SCEIP 2020B-10	09/02/2030	02/03/2020	3.00000	3.00000	56,707.56	56,707.56
SCEIP 2020C-10	09/02/2030	03/02/2020	3.00000	3.00000	24,653.70	24,653.70
SCEIP 2010J-20	09/02/2031	10/01/2010	3.00000	3.00000	264,926.82	264,926.82
SCEIP 2010K-20	09/02/2031	11/01/2010	3.00000	3.00000	274,280.62	274,280.62
SCEIP 2010L-20	09/02/2031	12/01/2010	3.00000	3.00000	361,384.92	361,384.92
SCEIP 2011A-20	09/02/2031	01/03/2011	3.00000	3.00000	243,722.90	243,722.90
SCEIP 2011B-20	09/02/2031	02/01/2011	3.00000	3.00000	391,475.08	391,475.08
SCEIP 2011C-20	09/02/2031	03/01/2011	3.00000	3.00000	177,870.94	177,870.94
SCEIP 2011D-20	09/02/2031	04/01/2011	3.00000	3.00000	227,551.46	227,551.46
SCEIP 2011E-20	09/02/2031	05/02/2011	3.00000	3.00000	250,083.39	250,083.39
SCEIP 2011F-20	09/02/2031	06/01/2011	3.00000	3.00000	213,944.73	213,944.73
SCEIP 2011G-20	09/02/2031	06/30/2011	3.00000	3.00000	403,270.47	403,270.47
SCEIP 2014F-20	09/02/2034	06/02/2014	3.00000	3.00000	68,956.92	68,956.92
SCEIP 2014G-20	09/02/2034	06/30/2014	3.00000	3.00000	175,302.74	175,302.74
SCEIP 2014H-20	09/02/2034	08/01/2014	3.00000	3.00000	102,526.68	102,526.68
SCEIP 2014I-20	09/02/2034	09/02/2014	3.00000	3.00000	83,833.63	83,833.63
SCEIP 2014J-20	09/02/2035	10/01/2014	3.00000	3.00000	125,561.45	125,561.45
SCEIP 2014K-20	09/02/2035	11/03/2014	3.00000	3.00000	69,354.49	69,354.49
SCEIP 2014L-20	09/02/2035	12/01/2014	3.00000	3.00000	41,826.27	41,826.27
SCEIP 2015A-20	09/02/2035	01/05/2015	3.00000	3.00000	142,661.83	142,661.83
SCEIP 2015B-20	09/02/2035	02/02/2015	3.00000	3.00000	74,029.02	74,029.02
SCEIP 2015C-20	09/02/2035	03/02/2015	3.00000	3.00000	151,747.49	151,747.49
SCEIP 2015D-20	09/02/2035	04/01/2015	3.00000	3.00000	65,377.55	65,377.55
SCEIP 2015E-20	09/02/2035	05/01/2015	3.00000	3.00000	47,280.34	47,280.34
SCEIP 2015F-20	09/02/2035	06/01/2015	3.00000	3.00000	33,215.63	33,215.63
SUBTOTAL OTHER GOVERNMENTS		58.86%			1,619,780,647.23	1,621,401,771.42
SOCIETE GENERALE	04/17/2020	04/17/2019	2.69000	2.69000	25,000,000.00	25,000,000.00
TORONTO DOMINION	04/28/2020	09/27/2019	2.05000	2.05000	20,000,000.00	20,000,000.00
TORONTO DOMINION	05/18/2020	09/18/2019	2.03000	2.03000	10,000,000.00	10,000,000.00
TORONTO DOMINION	05/26/2020	09/24/2019	2.04000	2.04000	10,000,000.00	10,000,000.00
NORDEA BANK NY	05/27/2020	10/15/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
BANK OF MONTREAL	06/12/2020	09/13/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
TORONTO DOMINION	06/29/2020	06/27/2019	2.07000	2.07000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/02/2020	11/05/2019	1.88000	1.88000	20,000,000.00	20,000,000.00
CANADIAN IMPERIAL B	07/06/2020	10/17/2019	1.88000	1.88000	20,000,000.00	20,000,000.00
NORDEA BANK NY	07/06/2020	10/28/2019	1.85000	1.85000	15,000,000.00	15,000,000.00
TORONTO DOMINION	07/21/2020	10/23/2019	1.90000	1.90000	10,000,000.00	10,000,000.00
SEB BANK NY	07/29/2020	11/05/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
NATIXIS BANK NY	07/30/2020	11/12/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
MUFG BANK NY	07/31/2020	10/25/2019	1.93000	1.93000	25,000,000.00	25,000,000.00
SOCIETE GENERALE	07/31/2020	11/08/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
SEB BANK NY	08/03/2020	11/12/2019	1.88000	1.88000	25,000,000.00	25,000,000.00
TORONTO DOMINION	08/13/2020	02/14/2020	1.63000	1.63000	20,000,000.00	20,000,000.00
NORDEA BANK NY	08/18/2020	11/13/2019	1.83000	1.83000	25,000,000.00	25,000,000.00
SEB BANK NY	08/25/2020	11/26/2019	1.86000	1.86000	30,000,000.00	30,000,000.00
UBS FINANCIAL	09/01/2020	03/30/2020	1.70000	1.70000	20,000,000.00	20,000,000.00
BANK OF MONTREAL	09/28/2020	03/27/2020	1.65000	1.65000	25,000,000.00	25,000,000.00

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
NATIXIS BANK NY	01/25/2021	02/18/2020	1.58000	1.58000	20,000,000.00	20,000,000.00
SUBTOTAL NEGOTIABLE CERTIFICATES OF DEPOSIT			16.15%		445,000,000.00	445,000,000.00
TOYOTA	04/17/2020	03/28/2018	1.95000	2.77508	10,000,000.00	9,996,514.52
INTER AMERICAN DEV BANK	05/12/2020	12/18/2019	1.62500	1.71535	6,685,000.00	6,695,168.53
CITIBANK	06/12/2020	11/29/2018	2.10000	3.38645	6,746,000.00	6,729,458.94
CITIBANK	06/12/2020	11/30/2018	2.10000	3.37751	8,000,000.00	7,980,518.86
CITIBANK	06/12/2020	03/06/2019	2.10000	2.87734	10,165,000.00	10,149,826.10
INTL FINANCE CORP	07/16/2020	11/14/2019	1.62600	1.68944	20,000,000.00	19,996,279.18
HSBC BANK NA	08/07/2020	10/24/2019	2.75000	1.88789	9,000,000.00	9,026,720.00
AMAZON.COM	08/21/2020	12/05/2019	1.90000	1.71814	15,545,000.00	15,555,782.25
INTL BANK RECON & DEV	09/12/2020	01/08/2020	1.56200	1.75395	6,905,000.00	6,899,474.88
MICROSOFT CORP	10/01/2020	12/02/2019	3.00000	1.71353	23,687,000.00	23,957,840.85
BERKSHIRE HATHAWAY	10/15/2020	12/04/2019	2.90000	1.71226	10,000,000.00	10,102,624.43
INTER AMERICAN DEV BANK	11/09/2020	10/17/2019	2.12500	1.78624	10,000,000.00	10,020,202.57
INTER AMERICAN DEV BANK	11/09/2020	12/18/2019	2.12500	1.71669	1,400,000.00	1,406,635.07
VISA INC	12/14/2020	11/05/2019	2.20000	1.75365	25,000,000.00	25,077,258.64
WELLS FARGO CO MTN	01/15/2021	11/29/2018	2.60000	3.48399	12,953,000.00	12,866,391.39
WELLS FARGO CO MTN	01/15/2021	03/20/2019	2.60000	2.81794	10,195,000.00	10,177,949.14
IBM	02/05/2021	03/28/2018	2.65000	2.85032	10,000,000.00	9,983,773.21
APPLE	02/23/2021	05/15/2019	2.25000	2.39222	15,000,000.00	14,981,304.00
CISCO SYSTEMS	02/28/2021	11/08/2018	2.20000	3.23509	15,000,000.00	14,864,666.92
JOHNSON & JOHNSON	03/01/2021	03/23/2020	1.65000	1.78442	10,426,000.00	10,423,822.34
INTL FINANCE CORP	03/09/2021	11/07/2019	2.63600	1.76702	3,015,000.00	3,038,707.53
TOYOTA	04/08/2021	06/13/2019	1.90000	2.23825	10,000,000.00	9,966,380.14
TOYOTA	04/13/2021	11/26/2018	2.95000	3.18422	12,166,000.00	12,137,762.70
TOYOTA	04/13/2021	04/16/2019	2.95000	2.58912	5,200,000.00	5,218,742.30
TOYOTA	04/13/2021	09/30/2019	2.95000	1.89392	2,500,000.00	2,526,729.36
APPLE	05/06/2021	01/10/2020	2.85000	1.66881	12,697,000.00	12,923,284.08
APPLE	05/06/2021	01/13/2020	2.85000	1.66834	6,000,000.00	6,108,384.50
JOHNSON & JOHNSON	05/15/2021	11/18/2019	3.55000	1.70964	5,000,000.00	5,102,939.73
TOYOTA	05/17/2021	09/30/2019	2.75000	1.87405	6,324,000.00	6,385,113.11
INTL BANK RECON & DEV	05/24/2021	12/26/2019	1.37600	1.70918	16,972,000.00	16,928,978.85
PFIZER INC	06/03/2021	09/12/2019	1.95000	1.85703	10,856,000.00	10,867,505.28
INTL BANK RECON & DEV	06/24/2021	11/07/2019	2.25000	1.71669	8,724,000.00	8,780,155.74
INTL BANK RECON & DEV	07/23/2021	11/18/2019	2.75000	1.71320	10,000,000.00	10,132,053.22
INTL BANK RECON & DEV	07/23/2021	12/20/2019	2.75000	1.70702	9,683,000.00	9,812,852.19
MICROSOFT CORP	08/08/2021	12/06/2019	1.55000	1.66219	7,890,000.00	7,878,198.58
ORACLE CORP	09/15/2021	08/23/2019	1.90000	1.90746	15,000,000.00	14,997,989.13
PROCTOR AND GAMBLE	11/03/2021	01/07/2019	1.70000	2.72705	10,331,000.00	10,169,560.53
MICROSOFT CORP	02/06/2022	12/24/2019	2.40000	1.77347	20,000,000.00	20,225,914.84
INTL BANK RECON & DEV	02/10/2022	01/10/2020	1.62600	1.63901	8,000,000.00	7,998,072.43
TOYOTA	04/12/2022	04/12/2019	2.65000	2.58099	15,000,000.00	15,020,080.02
ORACLE CORP	05/15/2022	03/29/2019	2.50000	2.48246	10,000,000.00	10,003,453.53
ORACLE CORP	10/15/2022	08/29/2019	2.50000	1.89395	10,000,000.00	10,148,498.42
MICROSOFT CORP	11/03/2022	11/12/2019	2.65000	1.87091	17,340,000.00	17,690,124.08
TOYOTA	01/10/2023	12/12/2018	2.62500	3.57590	13,000,000.00	12,683,278.13
INTL BANK RECON & DEV	01/27/2023	02/10/2020	1.75000	1.75000	10,000,000.00	10,006,319.44
BERKSHIRE HATHAWAY	03/15/2023	01/11/2019	2.75000	3.23797	12,315,000.00	12,149,926.44
APPLE	05/03/2023	04/12/2019	2.40000	2.64691	7,435,000.00	7,381,569.57
APPLE	05/03/2023	03/23/2020	2.40000	2.19004	20,000,000.00	20,311,073.18
MICROSOFT CORP	08/08/2023	12/06/2018	2.00000	3.26921	8,000,000.00	7,686,610.08
APPLE	02/09/2024	03/16/2020	3.00000	1.50944	10,000,000.00	10,586,523.15
WAL-MART INC	07/08/2024	03/13/2020	2.85000	1.23977	10,000,000.00	10,718,429.75

**SONOMA COUNTY TREASURY POOLED INVESTMENT INVENTORY
AS OF MARCH 31, 2020**



Description	Maturity Date	Purchase Date	Coupon Rate	Trading Yield	Current Par / Shares	Current Book / Shares
INTL BANK RECON & DEV	09/17/2024	09/17/2019	1.85000	1.85000	10,000,000.00	10,000,000.00
INTL BANK RECON & DEV	09/23/2024	10/01/2019	2.20000	2.20421	10,000,000.00	9,998,201.20
INTL BANK RECON & DEV	11/13/2024	11/13/2019	2.05000	2.09234	10,000,000.00	9,981,532.55
INTL FINANCE CORP	12/15/2024	12/16/2019	1.62500	1.64591	10,000,000.00	9,991,940.15
JOHNSON & JOHNSON	01/15/2025	03/30/2020	2.62500	1.35767	11,300,000.00	12,023,108.10
SUBTOTAL CORPORATE NOTES AND BONDS		22.31%			611,455,000.00	614,472,203.85
CAMP	04/01/2020	07/08/2002	1.50088	1.50088	53,086,430.67	53,086,430.67
CAL TRUST MMF	04/01/2020	08/28/2009	1.18746	1.18746	1,006,089.68	1,006,089.68
SUBTOTAL MONEY MARKET MUTUAL FUNDS		1.96%			54,092,520.35	54,092,520.35
LOCAL AGENCY INVESTMENT FUND	04/01/2020	11/04/2002	2.03000	2.03000	0.00	0.00
SUBTOTAL GOVERNMENT POOLS AND JPA'S		0.00%			0.00	0.00
CASH IN BANK		0.72%			19,745,003.29	19,745,003.29
CHECK AND WARRANTS IN TRANSIT		0.00%			0.00	0.00
CASH IN VAULT		0.00%			40,384.56	40,384.56
GRAND TOTAL		100%			2,750,113,555.43	2,754,751,883.47

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100