PRELIMINARY OFFICIAL STATEMENT DATED __________, 2024

NEW ISSUE—BOOK-ENTRY ONLY **Rating: S&P: "[__]"**
(See "MISCELLANEOUS — Rating" herein.)

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

[In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2024 Bonds [maturing on and after August 1, 20[__] (the "Tax-Exempt Bonds")] is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 [and is exempt from State of California personal income taxes]. In the further opinion of Bond Counsel, interest on the [Tax-Exempt][Series 2024] Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the [Tax-Exempt][Series 2024] Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. [Bond Counsel is also of the opinion that interest on the Series 2024 Bonds is exempt from State of California personal income taxes.] [Bond Counsel further observes that interest on the Series 2024 Bonds maturing on [________], 2024 (the "Federally Taxable Bonds") is not excluded from gross income for federal income tax purposes.] Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2024 Bonds. See "TAX MATTERS" herein.]

$[PAR AMOUNT]*
HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES 2024
(Bank Qualified)

Dated: Date of Delivery **Due: [August 1, as][As] shown herein**

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

The Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2024, Series 2024 (the "Series 2024 Bonds") are being issued by the Harmony Union School District (the "District"), located in the County of Sonoma, California (the "County") under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District adopted on May 9, 2024. Proceeds of the Series 2024 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation, or replacement projects approved by the voters of the District, and (ii) pay costs of issuance of the Series 2024 Bonds, as further described herein. The Series 2024 Bonds were authorized at an election of the voters of the District held on March 5, 2024, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $13,500,000 aggregate principal amount of bonds of the District.

The Series 2024 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2024 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS" herein.

The Series 2024 Bonds will be issued as current interest bonds, in denominations of $5,000 principal amount or any integral multiple thereof, as set forth on the inside front cover page hereof. Interest on the [Tax-Exempt][Series 2024] Bonds is payable on each February 1 and August 1 to maturity or earlier redemption thereof, commencing August 1, 2024. Principal of the [Tax-Exempt][Series 2024] Bonds is payable [on August 1] in each of the years and in the amounts set forth on the inside front cover page hereof. [Principal and interest on the Federally Taxable Bonds is payable at maturity.]

The Series 2024 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2024 Bonds. Individual purchases of the Series 2024 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2024 Bonds purchased by them. See "THE SERIES 2024 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2024 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and transfer agent with respect to the Series 2024 Bonds, to DTC for subsequent disbursement to DTC participants, who will remit such payments to the beneficial owners of the Series 2024 Bonds. See "THE SERIES 2024 BONDS – Payment of Principal and Interest" herein.

The Series 2024 Bonds are subject to redemption prior to maturity as described herein.* See "THE SERIES 2024 BONDS – Redemption" herein.

The Series 2024 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter. It is

* *Preliminary; subject to change.*

anticipated that the Series 2024 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about __________, 2024.

[RBC Capital Markets logo]

Dated: __________, 2024

MATURITY SCHEDULE
BASE CUSIP†: 413198

$[PAR AMOUNT]*
HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES 2024
(Bank Qualified)

$_________ Serial [Tax-Exempt][Series 2024] Bonds

Maturity [(August 1,)]	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
[Federally Taxable Bonds]				
[_____ 1, 2024]	$	%	%	
[Tax-Exempt Bonds]				
[August 1,] 2025	$	%	%	
[August 1,] 2026				
[August 1,] 2027				
[August 1,] 2028				
[August 1,] 2029				
[August 1,] 2030				
[August 1,] 2031				
[August 1,] 2032				
[August 1,] 2033				
[August 1,] 2034				
[August 1,] 2035				
[August 1,] 2036				
[August 1,] 2037				
[August 1,] 2038				
[August 1,] 2039				
[August 1,] 2040				
[August 1,] 2041				
[August 1,] 2042				
[August 1,] 2043				
[August 1,] 2044				
[August 1,] 2045				
[August 1,] 2046				
[August 1,] 2047				
[August 1,] 2048				
[August 1,] 2049				
[August 1,] 2050				
[August 1,] 2051				
[August 1,] 2052				
[August 1,] 2053				

$__________ ____% Term [Tax-Exempt][Series 2024] Bonds due August 1, 20__ – Yield ___% – CUSIP† Suffix ___
$__________ ____% Term [Tax-Exempt][Series 2024] Bonds due August 1, 20__ – Yield ___% – CUSIP† Suffix ___

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS database. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.
* *Preliminary; subject to change.*

HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

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

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2024 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2024 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(2) thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2024 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed by the District to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2024 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2024 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2024 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2024 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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$[PAR AMOUNT]*
HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES 2024
(Bank Qualified)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside front cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2024 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside front cover page and appendices hereto, is provided to furnish information in connection with the sale of $[PAR AMOUNT]* aggregate principal amount of Harmony Union School District (Sonoma County, California) General Obligation Bonds, Election of 2024, Series 2024 (the "Series 2024 Bonds"), all as indicated on the inside front cover page hereof, to be offered by the Harmony Union School District (the "District").

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

The Series 2024 Bonds are general obligation bonds of the District secured by and payable from *ad valorem* property taxes to be levied upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). The Series 2024 Bonds are not a debt or obligation of the County of Sonoma (the "County") or of the general fund of the District. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2024 Bonds. Quotations from and summaries and explanations of the Series 2024 Bonds, the Resolution (as defined herein) of the Board of Trustees of the District providing for the issuance of the Series 2024 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2024 Bonds.

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* *Preliminary; subject to change.*

Copies of documents referred to herein and information concerning the Series 2024 Bonds are available from the District by contacting: Harmony Union School District, 1935 Bohemian Highway, Occidental, California 95465-0279, Attention: Superintendent/Principal. The District may impose a charge for copying, handling and mailing such requested documents.

The District

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

The District currently operates one elementary school, Harmony Elementary School, serving transitional kindergarten, kindergarten and first grade. The District also sponsors an independent charter school, Pathways Charter School, serving kindergarten through twelfth grade and a dependent charter school, Salmon Creek School, serving second through eighth grade. Total enrollment in the District was approximately [195] students for Harmony Elementary School and Salmon Creek School for fiscal year 2022-23 and approximately 239 students in fiscal year 2023-24. As of the preparation of the District's fiscal year 2024-25 original adopted budget (the "Fiscal Year 2024-25 Budget"), total enrollment in the District Harmony Elementary School and Salmon Creek School is budgeted to be approximately 230 students in fiscal year 2024-25. The District operates under the jurisdiction of the Sonoma County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2023-24 is approximately $[_____] billion.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

For specific information on the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic (i) on the security and source of payment for the Series 2024 Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS – Assessed Valuation of Property Within the District" and "– Tax Charges and Delinquencies," and (ii) on the District's operations and finances, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak."

THE SERIES 2024 BONDS

Authority for Issuance; Purpose

Authority for Issuance. The Series 2024 Bonds are issued by the District under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Sections 15140 and 15146 and Article XIIIA of the Constitution of the State of California (the "California Constitution") and pursuant to a resolution of the Board of Trustees of the District, adopted on May 9, 2024 (the "Resolution").

Purpose. At an election held on March 5, 2024, the District received approval by at least 55% of the votes cast by eligible voters within the District to issue general obligation bonds of the District in an aggregate principal amount not to exceed $13,500,000 to, among other things, improve facilities at Harmony and Salmon Creek Schools; repair/replace roofs; construct/modernize classrooms, restrooms and school facilities; and make campus security, health, safety and accessibility improvements (collectively, the "2024 Authorization"). The Series 2024 Bonds represent the first series of authorized bonds to be issued under the 2024 Authorization. Proceeds of the Series 2024 Bonds will be applied to (i) finance specific construction, reconstruction, rehabilitation or replacement projects approved by the voters of the District under the 2024 Authorization, and (ii) pay costs of issuance of the Series 2024 Bonds. See "– Application and Investment of Series 2024 Bond Proceeds" herein. Prior to the issuance of the Series 2024 Bonds, the District has $13,500,000 aggregate principal amount of bonds authorized but unissued under the 2024 Authorization.

Pursuant to the Resolution, the term "Bonds" means all bonds, including the Series 2024 Bonds and refunding bonds, of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including bonds approved by the voters of the District on June 5, 2018, and pursuant to the 2024 Authorization.

Form and Registration

The Series 2024 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2024 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2024 Bonds. Purchases of the Series 2024 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in the Series 2024 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2024 Bonds, beneficial owners of the Series 2024 Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2024 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement[,][. Interest on the Series 2024 Bonds maturing on and after August 1, 20[__] (the "Tax-Exempt Bonds") is] payable on February 1 and August 1 of each year (each, [a][an] "[Tax-Exempt] Interest Payment Date"), commencing on August 1, 2024[,][. Interest on the Series 2024 Bonds maturing on [_____], 2024 (the "Federally Taxable Bonds") is payable at maturity (the "Taxable Interest Payment Date" and, together with the Tax-Exempt Interest Payment Dates, the "Interest Payment Dates"). Interest on the Series 2024 Bonds is] computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2024 Bond will bear interest from the Interest Payment Date of such Series 2024 Bond next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date for such Series 2024 Bond (the "Record Date") and on or prior to the succeeding Interest Payment Date for such Series 2024 Bond, in which event it will bear interest from such Interest Payment Date for such Series 2024 Bond, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date for such Series 2024 Bond, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2024 Bond, interest is in default on any outstanding Series 2024 Bonds, such Series 2024 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2024 Bonds.

Payment of Series 2024 Bonds. The principal of the Series 2024 Bonds is payable in lawful money of the United States of America to the registered owner thereof (the "Owner"), upon the surrender thereof at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

The interest on the Series 2024 Bonds is payable on each Interest Payment Date in lawful money of the United States of America to the Owner thereof as of the Record Date preceding such Interest Payment Date, such interest to be paid by check or draft mailed on such Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the Owner thereof at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment will be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 in principal amount of outstanding Series 2024 Bonds who request in writing such method of payment of interest prior to the close of business on the Record Date immediately preceding any Interest Payment Date. So long as the Series 2024 Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The Series 2024 Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Series 2024 Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Series 2024 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $__________ term Series 2024 Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

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

† Maturity.

The principal amount of the $__________ term Series 2024 Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2024 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

* *Preliminary; subject to change.*

The $__________ term Series 2024 Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

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

† Maturity.

The principal amount of the $__________ term Series 2024 Bonds maturing on August 1, 20__, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2024 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2024 Bonds for Redemption. If less than all of the Series 2024 Bonds, if any, are subject to optional redemption and are called for redemption, such Series 2024 Bonds will be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2024 Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Series 2024 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2024 Bond will be deemed to consist of individual Series 2024 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2024 Bond will be given by the Paying Agent, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2024 Bonds. See APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption is required to contain the following information: (i) the date of such notice; (ii) the name of the Series 2024 Bonds and the date of issue of such Series 2024 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2024 Bonds to be redeemed; (vi) if less than all of the Series 2024 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2024 Bonds of each maturity to be redeemed; (vii) in the case of Series 2024 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2024 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2024 Bonds to be redeemed; (ix) a statement that such Series 2024 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2024 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure to receive such notice, nor any defect in the notice given, will affect the sufficiency of the proceedings for the redemption of the Series 2024 Bonds called for redemption or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2024 Bonds called for redemption is set aside for the purpose of redeeming the Series 2024 Bonds, the Series 2024 Bonds designated for redemption become due and payable on the specified redemption date and interest ceases to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2024 Bonds at the place specified in the notice of redemption, such Series 2024 Bonds are to be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2024 Bonds so called for redemption after such redemption date will look for the payment of such Series 2024 Bonds and the redemption premium thereon, if any, only from monies on deposit for such purpose in the interest and sinking fund of the District established for the Series 2024 Bonds within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2024 Bonds redeemed are to be cancelled forthwith by the Paying Agent and are not to be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Series 2024 Bonds so called for redemption. Any optional redemption and notice thereof is to be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2024 Bonds called for redemption. Notice of rescission of redemption is to be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Series 2024 Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice does not affect the validity of the rescission.

Funds for Redemption. Prior to or on the redemption date of any Series 2024 Bonds there is to be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices as provided in the Resolution, the Series 2024 Bonds designated in the notice of redemption. Such monies are to be applied on or after the redemption date solely for payment of principal of, interest and premium, if any, on the Series 2024 Bonds to be redeemed upon presentation and surrender of such Series 2024 Bonds, provided that all monies in the Interest and Sinking Fund are to be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date is to be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Series 2024 Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of the redemption price of the Series 2024 Bonds, the monies are to be held in or returned or transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of Bonds of the District, the monies are to be transferred to the fund created for the payment of principal of and interest on such Bonds. If no such Bonds of the District are at such time outstanding, the monies are to be transferred to the general fund of the District as provided and permitted by law.

Defeasance of Series 2024 Bonds

The Resolution provides that if at any time the District will pay or cause to be paid or there will otherwise be paid to the Owners of any or all of the outstanding Series 2024 Bonds all or any part of the principal of and interest and premium, if any, on the Series 2024 Bonds at the times and in the manner provided in the Resolution and in the Series 2024 Bonds, or as described in the following paragraph, or as otherwise provided by law consistent with the provisions of the Resolution, then such Owners will cease to be entitled to the obligation of the District and the County to levy and collect property taxes to pay the Series 2024 Bonds as provided in the Resolution, and such obligation and all agreements and covenants of the District to such Owners under the Resolution and under the Series 2024 Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal, interest and premium, if any, represented by the Series 2024 Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment; and provided further, however, that the provisions of the Resolution described below under "– Unclaimed Monies" will apply.

The District may pay and discharge any or all of the Series 2024 Bonds by depositing in trust with the Paying Agent or an escrow agent selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Series 2024 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Monies

Any money held in any fund created pursuant to the Resolution, or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2024 Bonds and remaining unclaimed for two years after the principal of all of the Series 2024 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to any interest and sinking fund of the District for payment of any outstanding Bonds of the District payable from such fund; or, if no such Bonds of the District are at such time outstanding, the monies are required to be transferred to the general fund of the District as provided and permitted by law.

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Application and Investment of Series 2024 Bond Proceeds

The proceeds of the Series 2024 Bonds are expected to be applied as follows:

HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES 2024
(Bank Qualified)

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series 2024 Bonds	$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total Sources of Funds	$
Uses of Funds:	
Deposit to Building Fund for Projects	$
Deposit to Interest and Sinking Fund(1)	
Costs of Issuance(2)	
Underwriter's Discount	
Total Uses of Funds	$

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

Under State law, all money received by or apportioned to a school district must generally be paid into and held in the county treasury. The proceeds from the sale of the Series 2024 Bonds received by the District, except for certain amounts permitted to be held and disbursed by a cost of issuance custodian and exclusive of any premium and accrued interest received by the District, will be deposited in the County treasury to the credit of the building fund of the District established for the Series 2024 Bonds (the "Building Fund") and will be accounted for separately from all other District and County funds. Such proceeds will be applied solely for the purposes for which the Series 2024 Bonds were authorized. Any premium or accrued interest on the Series 2024 Bonds received by the District will be deposited in the Interest and Sinking Fund in the County treasury. Taxes collected to pay principal and interest on the Series 2024 Bonds will also be deposited in the Interest and Sinking Fund. Earnings on the investment of monies in either fund will be retained in that fund and used only for the purpose to which that fund may lawfully be applied. Monies in the Building Fund may only be applied for the purposes for which the Series 2024 Bonds were authorized. Monies in the Interest and Sinking Fund may only be applied to pay principal, interest and redemption premium, if any, on the Series 2024 Bonds.

All funds held by the Treasurer-Tax Collector of the County (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 *et seq.* of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E − "SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2024 Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

Debt Service

Annual debt service on the Series 2024 Bonds, assuming no early optional redemptions, is set forth in the following table.

HARMONY UNION SCHOOL DISTRICT
(SONOMA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2024, SERIES 2024
(Bank Qualified)

Period Ending (August 1,)[(1)]	Principal	Interest	Total Debt Service
2025	$	$	$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2052			
2053			
Total:	$	$	$

[(1) The Federally Taxable Bonds mature on ________, 2024. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.]
Source: RBC Capital Markets, LLC.

Outstanding Bonds

In addition to the Series 2024 Bonds, the District has four series of general obligation bonds outstanding, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District.

2018 Authorization. The District received authorization at an election held on June 5, 2018, under Measure C to issue general obligation bonds of the District in an aggregate principal amount not to exceed $9,600,000 to improve facilities at Harmony and Salmon Creek Schools, repair/replace leaky roofs, improve energy efficiency, and construct/renovate/modernize classrooms, restrooms and school facilities under an environmental sustainability facilities plan (collectively, the "2018 Authorization"). On September 13, 2018, the District issued $3,500,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series A (the "Series 2018A Bonds") as its first series of bonds to be issued under the 2018 Authorization. On March 5, 2020, the District issued $3,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series B (the "Series 2020B Bonds") as its second series of bonds to be issued under the 2018 Authorization. On January 27, 2021, the District issued $3,100,000 aggregate principal amount of its General Obligation Bonds, Election of 2018, Series C (the "Series 2021C Bonds") as its third and final services of bonds to be issued under the 2018 Authorization.

2024 Authorization. As indicated above, at an election held on March 5, 2024, the District received approval by at least 55% of the 2024 Authorization to issue general obligation bonds of the District in an aggregate principal amount not to exceed $13,500,000 to, among other things, improve facilities at Harmony and Salmon Creek Schools; repair/replace roofs; construct/modernize classrooms, restrooms and school facilities; and make campus security, health, safety and accessibility improvements. The Series 2024 Bonds represent the first series of authorized bonds to be issued under the 2024 Authorization.

A summary of the District's outstanding general obligation bonded debt is set forth on the following page.

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Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding general obligation bonds of the District, assuming no early optional redemptions.

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

	2018 Authorization			**2024 Authorization**	
Period Ending (August 1,)[(1)]	Series 2018A Bonds	Series 2020B Bonds	Series 2021C Bonds	Series 2020A Bonds	Aggregate Total Debt Service
2024	$131,925.00	$80,550.00	$138,000.00	$	$
2025	131,925.00	80,550.00	142,000.00		
2026	131,925.00	80,550.00	155,800.00		
2027	131,925.00	80,550.00	169,000.00		
2028	131,925.00	80,550.00	181,600.00		
2029	176,925.00	115,550.00	128,600.00		
2030	185,125.00	119,500.00	127,600.00		
2031	192,925.00	123,300.00	121,600.00		
2032	195,325.00	131,950.00	125,800.00		
2033	202,525.00	135,300.00	129,800.00		
2034	209,325.00	138,500.00	138,600.00		
2035	220,725.00	141,550.00	142,000.00		
2036	226,525.00	149,450.00	145,200.00		
2037	231,925.00	152,050.00	153,200.00		
2038	240,362.50	159,500.00	155,800.00		
2039	248,012.50	166,650.00	163,200.00		
2040	259,875.00	168,500.00	170,200.00		
2041	270,687.50	175,200.00	171,800.00		
2042	275,450.00	181,600.00	183,200.00		
2043	288,100.00	187,700.00	184,000.00		
2044	295,050.00	198,500.00	189,600.00		
2045	306,475.00	203,850.00	199,800.00		
2046	317,200.00	208,900.00	209,400.00		
2047	327,225.00	218,650.00	213,400.00		
2048	341,550.00	222,950.00	222,000.00		
2049		581,950.00	230,000.00		
2050			842,400.00		
2051					
2052					
2053					
Total:	$5,670,937.50	$4,283,850.00	$5,133,600.00	$	$

[(1) The Federally Taxable Bonds mature on _________, 2024. The Tax-Exempt Bonds have principal maturing on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof.]
Source: Isom Advisors, a Division of Urban Futures, Inc.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2024 Bonds, the Board of Supervisors of the County (the "Board of Supervisors") is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series 2024 Bonds. Such taxes are in addition to but separate from other taxes levied upon property within the District that are deposited by the County to the District's general fund. When collected, the tax revenues with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure will be deposited by the County in the interest and sinking fund of the District related to such bond measure and established for such Bonds to be used solely for the payment of the principal or redemption price of and interest on such Bonds.

The Series 2024 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2024 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

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

This statutory lien, by its terms, secures not only the Series 2024 Bonds, but also any other bonds of the District payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien. For information on outstanding bonds of the District, see "THE SERIES 2024 BONDS – Outstanding Bonds" above.

Pledge of, Lien on and Security Interest in Tax Revenues

As provided in the Resolution, the District has pledged, and granted a lien on and security interest in, all revenues from the property taxes collected from the levy by the Board of Supervisors with respect to each voter-approved bond measure of the District for the payment of Bonds issued under such bond measure and all amounts on deposit in any interest and sinking fund of the District related to such bond measure with respect to the Bonds of such bond measure, in order to secure the payment of the principal or redemption price of and interest on such Bonds. Pursuant to the Resolution, such pledge and grant is valid and binding from the date of the Resolution for the benefit of the Owners of the Bonds and successors thereto. The Resolution provides that the property taxes and amounts held in any interest and sinking fund of the District will be immediately subject to this pledge and grant, and the pledge and grant will constitute a lien and security interest which will immediately attach to (a) the property taxes and (b) the amounts held in any interest and sinking fund of the District. Pursuant to the Resolution, this pledge and grant will secure the payment of such Bonds and will be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge or grant and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge and grant constitutes an agreement between the District and the Owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge and grant are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

The pledge of and grant of a lien on and security interest in tax revenues provided for in the Resolution specifies that said pledge and grant secures the Series 2024 Bonds and other general obligations bonds, including refunding bonds, previously issued or that may be issued in the future pursuant to the related voter-approved measure. Previous general obligation bonds of the District have been issued under resolutions that pledge and grant a lien on and security interest in tax revenues to secure the general obligation bonds and the general obligation refunding bonds issued thereunder, and the District may provide for a similar pledge and grant of a lien on and security interest in tax revenues in resolutions adopted in the future that authorize general obligation bonds and general obligation refunding bonds. The Resolution does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the pledge of and grant of a lien on and security interest in such tax revenues.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

General. Taxable property located in the District has a fiscal year 2023-24 assessed value of $[____]. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the California Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in each county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies within the County, including the District.

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

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The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2004-05 through 2023-24, each as of the date the equalized assessment roll is established in August of each year.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Assessed Valuations
Fiscal Years 2004-05 through 2023-24

[Updated information for table to come.]

Fiscal Year	Local Secured	Utility	Unsecured	Total
2004-05	$576,160,599	$0	$3,479,786	$579,640,385
2005-06	629,306,636	0	3,543,255	632,849,891
2006-07	683,944,325	0	4,344,154	688,288,479
2007-08	749,318,252	0	3,796,984	753,115,236
2008-09	805,635,818	0	4,058,136	809,693,954
2009-10	835,463,701	0	4,466,121	839,929,822
2010-11	807,918,297	0	4,079,526	811,997,823
2011-12	790,766,037	0	4,405,547	795,171,584
2012-13	809,168,832	0	4,747,900	813,916,732
2013-14	829,782,884	0	4,780,494	834,563,378
2014-15	862,181,150	0	6,864,172	869,045,322
2015-16	940,275,618	0	7,843,412	948,119,030
2016-17	1,012,348,336	0	6,295,354	1,018,643,690
2017-18	1,065,583,394	0	6,262,714	1,071,846,108
2018-19	1,122,719,021	0	6,755,823	1,129,474,844
2019-20	1,185,525,561	0	7,238,458	1,192,764,019
2020-21	1,239,737,901	0	7,252,001	1,246,989,902
2021-22	[_______]	[_______]	[_______]	[_______]
2022-23	[_______]	[_______]	[_______]	[_______]
2023-24	[_______]	[_______]	[_______]	[_______]

Source: California Municipal Statistics, Inc.

[Currently, a single taxpayer owns approximately [_____]% of the fiscal year 2023-24 assessed value of taxable property within the District. See "*– Largest Secured Taxpayers in District*" below.]

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

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. A pandemic, like the COVID-19 pandemic, may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak." Events resulting in changing economic conditions may also alter the willingness or the ability of local taxpayers to pay *ad valorem* property taxes levied to repay the District's Bonds. The District cannot predict whether events that may result in changing economic conditions will occur or the extent that a change in economic conditions will impact assessed value of property in the District or the willingness or ability of local taxpayers to pay *ad valorem* property taxes.

Risk of Climate Change. The change in the earth's average atmospheric temperature, generally referred to as "climate change," is expected to, among other things, increase the frequency of extreme weather events. The direct risks posed by climate change currently include or are expected to include more extreme heat events, increased incidence of wildfire and drought, rising sea levels, changes in precipitation levels, including flooding, and more intense storms. As greenhouse gas emissions continue to accumulate, climate change may intensify and increase the frequency of such extreme weather events. One or more of such extreme weather events could negatively impact the assessed value of the property within the District. The District cannot predict the timing, extent, or severity of climate change and its impact on property values in the District.

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

Risk of Drought. Most recently, the State has experienced periods of extreme precipitation, after having experienced severe drought conditions that led to the Governor of California (the "Governor") declaring a Statewide drought emergency in spring 2021. While storms have helped ease drought impacts, regions and communities across the State continue to experience water supply shortages, especially communities that rely on groundwater supplies that have been severely depleted in recent years. In March 2023, the Governor rolled back some drought emergency provisions that are no longer needed due to current water conditions, while maintaining other measures that support regions and communities still facing water supply challenges, and that continue building up long-term water resilience. The District cannot predict the extent to which drought conditions within the County or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which drought conditions may impact District facilities or the assessed value of taxable property within the District.

Risk of Wildfire. Property damage due to wildfire could result in significant damage to, destruction of, and significant decreases in the assessed value of taxable property within the boundaries of the District, as well as in damage to or destruction of District facilities and property. In recent years, portions of the State, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted the County and adjacent counties in recent years include the Central LNU Complex Fires, Mendocino Complex Fires, Kincade Fire, LNU Lighting Complex Fires, August Complex Fires and Glass Fire. Within the boundaries of the District, no facilities or property was damaged or destroyed by said wildfires or other recent wildfires. The adjacent counties of Lake, Mendocino and Napa have also been impacted by the wildfires mentioned above. The District cannot predict the extent to which any future wildfires within the District, the County, or any of the adjoining counties could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact District facilities or the assessed value of taxable property within the District.

Prospective purchasers of the Series 2024 Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Series 2024 Bonds. The consequence of any decrease in assessed valuation is

a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Series 2024 Bonds in full. However, increases in tax rates may impact the ability or willingness of taxpayers to pay their property taxes. See " – Tax Charges and Delinquencies" and "- Teeter Plan" below.

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

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

In addition, Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the California Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT

REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* property taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2023-24 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $[_____] million and its net bonding capacity is approximately $[_____] million (taking into account current outstanding debt before the issuance of the Series 2024 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries by political jurisdiction. The District is located entirely within the unincorporated portions of the County for fiscal year 2023-24.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2023-24 Assessed Valuation by Jurisdiction

[Information for table to come.]

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
Unincorporated Sonoma County				
Total District				
County of Sonoma				

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2023-24 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2023-24 Assessed Valuation and Parcels by Land Use

[Information for table to come.]

	2023-24 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural				
Commercial/Office				
Vacant Commercial				
Hotel/Motel/Inn				
Industrial/Winery				
Recreational				
Government/Social/Institutional				
Miscellaneous				
Subtotal Non-Residential				
Residential:				
Single Family Residence				
Condominium				
2-4 Residential Units				
Vacant Residential				
Subtotal Residential				
TOTAL				

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2023-24, including the average and median per parcel assessed value.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Fiscal Year 2023-24 Per Parcel Assessed Valuation of Single-Family Homes

[Information for table to come.]

	Number of Parcels	2023-24 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	[____]	$[____]	$[____]	$[____]

2023-24 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999						
$50,000 - $99,999						
$100,000 - $149,999						
$150,000 - $199,999						
$200,000 - $249,999						
$250,000 - $299,999						
$300,000 - $349,999						
$350,000 - $399,999						
$400,000 - $449,999						
$450,000 - $499,999						
$500,000 - $549,999						
$550,000 - $599,999						
$600,000 - $649,999						
$650,000 - $699,999						
$700,000 - $749,999						
$750,000 - $799,999						
$800,000 - $849,999						
$850,000 - $899,999						
$900,000 - $949,999						
$950,000 - $999,999						
$1,000,000 and greater						
Total						

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

Largest Secured Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of secured taxable property in the District on the fiscal year 2023-24 tax roll, and the secured assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Largest Fiscal Year 2023-24 Local Secured Taxpayers

[Information for table to come.]

	Property Owner	Primary Land Use	2023-24 Assessed Valuation	Percent of Total[1]
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				

[1] The fiscal year 2023-24 local secured assessed valuation is $[________].
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. [As shown above, a single taxpayer owns approximately [_____]% of the total taxable property in the District in fiscal year 2023-24.] Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "− *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2024 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2024 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2024 Bonds. Issuance of additional authorized bonds in the future could also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District. TRA 96-040 comprises approximately 21.64% of the total assessed value of taxable property in the District for fiscal year 2023-24.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Typical Total Tax Rates as Percentage of Assessed Valuation (TRA 96-040)[(1)]
Fiscal Years 2019-20 through 2023-24

[Updated information for table to come.]

	2019-20	2020-21	2021-22	2022-23	2023-24
General Tax Rate	1.0000%	1.0000%			
Warm Springs Dam Debt Service	0.00700	.00700			
Palm Drive Health Care District	0.00300	.00300			
Harmony Union School District Bond	0.03400	.03200			
West Sonoma Union High School District Bond	0.04650	.04400			
Sonoma County Joint Community College District Bond	0.03700	.03700			
Total Tax Rate	1.12750%	1.12300%			

(1) Fiscal year 2023-24 assessed valuation of TRA 96-040 is $[_______].
Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the California Education Code, bonds approved pursuant to the 2024 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2024 Authorization will require a tax rate no greater than $30.00 per $100,000.00 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2024 Bonds, the District projects that the maximum tax rate required to repay the Series 2024 Bonds and the Series 2020A Bonds, which are the only other outstanding bonds approved under the 2024 Authorization, will be within such legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2024 Bonds and any other series of bonds issued under the 2024 Authorization in each year.

Tax Charges and Delinquencies

General. A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* property taxes for voter-approved indebtedness, including the Series 2024 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty plus a $20 administrative charge is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon, add an additional fee of $120, and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or manmade disaster, such as earthquake, drought, flood, fire, or toxic dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Infectious Disease Outbreak." The County has adopted the Teeter Plan (defined herein), according to which the County distributes to the District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. For more information, see "– Teeter Plan" below. If delinquencies increase substantially as a result of events outside the control of the District, the County has the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

Secured Tax Charges and Delinquencies within the District. The first table [on the following page] sets forth the real property tax charges and corresponding delinquencies for the District's general obligation bond debt service levy, with respect to the property located within the District, for fiscal years 2018-19 through 2022-23. For reference and as an indication of comparative delinquency rates, the second table [on the following page] sets forth the real property tax charges and corresponding delinquencies for the portion of the County's 1% general fund levy that is allocated to the District, with respect to property located in the District for fiscal years 2018-19 through 2022-23. The portion of the County's 1% general fund levy that is allocated to the District is not pledged to and does not secure the repayment of the Series 2024 Bonds. For more information, see "– Teeter Plan" below.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2018-19 through 2022-23

[Updated information for table to come.]

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2018-19	$1,508,337.41	$11,369.54	0.75%
2019-20	1,595,355.81	17,871.32	1.12
2020-21	[_____]	[_____]	[_____]
2021-22	[_____]	[_____]	[_____]
2022-23	[_____]	[_____]	[_____]

Fiscal Year	Secured Tax Charge[2]	Amount Delinquent June 30	Percent Delinquent June 30
2018-19	$403,360.51	$5,532.58	1.37%
2019-20	402,352.26	9,576.02	2.38
2020-21	[_____]	[_____]	[_____]
2021-22	[_____]	[_____]	[_____]
2022-23	[_____]	[_____]	[_____]

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

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including school districts, receives the full amount of uncollected taxes levied on the secured tax roll credited to its fund, in the same manner as if the full amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The County applies the Teeter Plan to taxes levied for repayment of school district general obligation bonds. There can be no assurances that the County will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Series 2024 Bonds when due.

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

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics, Inc. effective May [__], 2024 for debt outstanding as of May 1, 2024. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

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

May [__], 2024

2023-24 Assessed Valuation: $[______]

	% Applicable	Debt 12/1/20
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Sonoma County Joint Community College District		
West Sonoma County Union High School District		
Harmony Union School District		[1]
Palm Drive Healthcare District		
Occidental Sanitation District		
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		
OVERLAPPING GENERAL FUND DEBT:		
Sonoma County General Fund Obligations		
Sonoma County Pension Obligation Bonds		
Sonoma County Office of Education Certificates of Participation		
West Sonoma County Union High School District		
West County Transportation Authority		[2]
Bodega Bay Fire Protection District Certificates of Participation		
TOTAL OVERLAPPING GENERAL FUND DEBT		
COMBINED TOTAL DEBT		[3]

Ratios to 2023-24 Assessed Valuation:
Direct Debt ($[_____]) .... [_____]%
Total Direct and Overlapping Tax and Assessment Debt ... [_____]%
Combined Total Debt.. [_____]%

(1) Excludes the Series 2024 Bonds.
(2) West County Transportation Agency Series 2017 Bonds (Transportation Facility Project). The District has agreed to make certain payments to the West County Transportation Agency. The West County Transportation Agency has pledged these payments to repay the bonds. See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – District Debt – *West County Transportation Agency*" herein for more information.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

[Tax-Exempt Bonds]

[In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the [Series 2024][Tax-Exempt] Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the [Series 2024][Tax-Exempt] Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the [Series 2024][Tax-Exempt] Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the [Series 2024][Tax-Exempt] Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

To the extent the issue price of any maturity of the [Series 2024][Tax-Exempt] Bonds is less than the amount to be paid at maturity of such [Series 2024][Tax-Exempt] Bonds (excluding amounts stated to be interest and payable at least annually over the term of such [Series 2024][Tax-Exempt] Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the [Series 2024][Tax-Exempt] Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the [Series 2024][Tax-Exempt] Bonds is the first price at which a substantial amount of such maturity of the [Series 2024][Tax-Exempt] Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the [Series 2024][Tax-Exempt] Bonds accrues daily over the term to maturity of such [Series 2024][Tax-Exempt] Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such [Series 2024][Tax-Exempt] Bonds to determine taxable gain or loss upon trade or business disposition (including sale, redemption, or payment on maturity) of such [Series 2024][Tax-Exempt] Bonds. Beneficial Owners of the [Series 2024][Tax-Exempt] Bonds should consult their own tax advisors with respect to the tax consequences of ownership of [Series 2024][Tax-Exempt] Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such [Series 2024][Tax-Exempt] Bonds in the original offering to the public at the first price at which a substantial amount of such [Series 2024][Tax-Exempt] Bonds is sold to the public.

[Series 2024][Tax-Exempt] Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the [Series 2024][Tax-Exempt] Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the [Series 2024][Tax-Exempt] Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the [Series 2024][Tax-Exempt] Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the [Series 2024][Tax-Exempt] Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the [Series 2024][Tax-Exempt] Bonds may adversely affect the value of, or the tax status of interest on, the [Series 2024][Tax-Exempt] Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the [Series 2024][Tax-Exempt] Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the [Series 2024][Tax-Exempt] Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the [Series 2024][Tax-Exempt] Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the [Series 2024][Tax-Exempt] Bonds. Prospective purchasers of the [Series 2024][Tax-Exempt] Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the [Series 2024][Tax-Exempt] Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the [Series 2024][Tax-Exempt] Bonds ends with the issuance of the [Series 2024][Tax-Exempt] Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the [Series 2024][Tax-Exempt] Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the [Series 2024][Tax-Exempt] Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the [Series 2024][Tax-Exempt] Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the [Series 2024][Tax-Exempt] Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of [Series 2024][Tax-Exempt] Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the [Series 2024][Tax-Exempt] Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the [Series 2024][Tax-Exempt] Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.]

[Federally Taxable Bonds

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

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

As used herein, "U.S. Holder" means a Beneficial Owner of a Federally Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). If a partnership holds Federally Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Federally Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Federally Taxable Bonds (including their status as U.S. Holders).

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

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

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

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

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

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

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Federally Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

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

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2024 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2024 Bonds at the time of issuance substantially in the form set forth in Appendix C. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Jones Hall, A Professional Law Corporation, as counsel to the Underwriter.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2024 Bonds are legal investments for commercial banks in California to the extent that the Series 2024 Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the California Government Code, the Series 2024 Bonds are eligible securities for deposit of public monies in the State.

Continuing Disclosure

The District will covenant under the Continuing Disclosure Certificate to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for fiscal year 2023-24 (such initial Annual Report due no later than April 1, 2025) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made for the benefit of the holders and Beneficial Owners of the Series 2024 Bonds in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

[To be updated with Underwriter's CD Report.]

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District's dissemination agent in connection with each of the District's prior continuing disclosure undertakings pursuant to the Rule and will serve as dissemination agent in connection with the continuing disclosure undertaking pursuant to the Rule relating to the Series 2024 Bonds.

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

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2024 Bonds or the District's ability to receive *ad valorem* property taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2024 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2024 Bonds or District officials who will sign certifications relating to the Series 2024 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2024 Bonds.

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

Bank Qualified

The District has designated the [Tax-Exempt][Series 2024] Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

FINANCIAL STATEMENTS

The District's audited financial statements for fiscal year ended June 30, 2023, are included in Appendix B. Such financial statements have been audited by Nigro & Nigro, PC, A Professional Accountancy Corporation, Murrieta, California ("Nigro"). The District has not requested nor has the District obtained the consent of Nigro to the inclusion of its report in Appendix B. Nigro has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Nigro has not been requested to perform and has not performed any procedures relating to the Official Statement.

MISCELLANEOUS

Rating

S&P has assigned its rating of "[___]" to the Series 2024 Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to it (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2024 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2024 Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series 2024 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2024 Bonds and will receive compensation from the District contingent upon the sale and delivery of the Series 2024 Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series 2024 Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as counsel to the Underwriter with respect to the Series 2024 Bonds. Payment of the fees and expenses of the Municipal Advisor and counsel to the Underwriter is also contingent upon the sale and delivery of the Series 2024 Bonds.

Underwriting

The Series 2024 Bonds are being purchased for reoffering to the public by RBC Capital Markets, LLC (the "Underwriter"), pursuant to the terms of a bond purchase agreement executed on __________, 2024 (the "Purchase Agreement"), by and between the Underwriter and the District. The Underwriter has agreed to purchase the Series 2024 Bonds at a price of $__________ (which represents the aggregate principal amount of the Series 2024 Bonds, [plus/less] [net] original issue [premium/discount] of $__________, and less Underwriter's discount in the amount of $__________). The Purchase Agreement provides that the Underwriter will purchase all of the Series 2024 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriter may offer and sell the Series 2024 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices set forth on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

[To be updated with Underwriter's distribution language, if applicable.]

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2024 Bonds. Quotations from and summaries and explanations of the Series 2024 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2024 Bonds.

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

HARMONY UNION SCHOOL DISTRICT

By: ____________________________________
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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The information in this appendix concerning the operations of the Harmony Union School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2024 Bonds is payable from the general fund of the District or from State revenues. The Series 2024 Bonds are payable from the proceeds of an ad valorem property tax approved by the voters of the District pursuant to all applicable laws and requirements of the Constitution of the State (the "California Constitution"), and required to be levied by the County of Sonoma (the "County") on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2024 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was established in 1953 and is located in the County of Sonoma (the "County"), approximately 60 miles north of San Francisco. The District encompasses approximately 50 square miles, including unincorporated portions of the County and serves the communities of Occidental, Camp Meeker, Bodega and Freestone. The District currently operates one elementary school, Harmony Elementary School, serving transitional kindergarten, kindergarten and first grade. The District also sponsors an independent charter school, Pathways Charter School, serving kindergarten through twelfth grade and a dependent charter school, Salmon Creek School, serving second through eighth grade. Total enrollment in the District was approximately 198 students for Harmony Elementary School and Salmon Creek School for fiscal year 2022-23 and approximately 239 students in fiscal year 2023-24. As of the preparation of the District's fiscal year 2024-25 original adopted budget (the "Fiscal Year 2024-25 Budget"), total enrollment in the District Harmony Elementary School and Salmon Creek School is budgeted to be approximately 232 students in fiscal year 2024-25. The District operates under the jurisdiction of the Sonoma County Superintendent of Schools. Total assessed valuation of taxable property in the District in fiscal year 2023-24 is approximately $[_____] billion.

Board of Trustees

The District is governed by a five-member Board of Trustees (the "Board of Trustees"), each member of which is a voting member. The members are elected at large to four-year terms in alternate slates of two and three, and elections are held every two years. Each December, the Board of Trustees elects a President and Clerk to serve one-year terms. Current members of the Board of Trustees, together with their office and the date their current term expires, is described [below][on the following [page].

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Board of Trustees

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

Superintendent/Principal and Chief Business Official

General. The Superintendent/Principal is appointed by the Board of Trustees. The Superintendent/Principal reports directly to the Board of Trustees. The Chief Business Official is hired by and reports directly to the Superintendent. The Superintendent/Principal is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators, including the Chief Business Official. The current Superintendent/Principal, Matthew Morgan, has served in this position since July 1, 2019. The Chief Business Official is responsible for management of the District's finances and business operations. Ms. Stacy Kalember has served as Chief Business Official since June 1, 2019.

Matthew Morgan, Superintendent/Principal. [Please provide a short biography.]

Stacy Kalember, Chief Business Official. Stacy Kalember began working in public education, serving in the positions of Assistant Chief Business Official, and then Chief Business Official, in May 2018. Prior to working in public education, Stacy worked in business and accounting offices of a Santa Rosa law firm for 10 years, and then a Santa Rosa non-public school for over seven years. Stacy began working for the District in May of 2019. Stacy received her Bachelor of Arts Degree in 2000 from University of California, Santa Barbara, and holds a Completion Certificate from California Association of Schools Business Officials (CASBO), obtained in 2020.

Cybersecurity

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational, operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, vendors and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

In the past five years, the District has not experienced a cybersecurity incident. The District educates staff on safe online computing practices and employees utilize security systems to protect against, and have established procedures to respond to, cybersecurity incidents. In the event of a cybersecurity incident, the District currently maintains cyber liability insurance with Redwood Empire Schools Insurance Group. There can be no assurance that a future cybersecurity incident or attempted cybersecurity incident would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of ad valorem property taxes and its servers and systems for accounting and other matters, as well as other trustees, fiscal agents, dissemination agents and project management firms. No assurance can be given that future cyber threats and attacks against third party entities or service providers will not directly or indirectly impact the District or the owners of the Series 2024 Bonds, including the possibility of impacting the timely payments of debt service on the Series 2024 Bonds or timely filings pursuant to the District's continuing disclosure undertakings.

DISTRICT FINANCIAL MATTERS

[Please note that the information relating to the District's Fiscal Year 2023-24 Estimated Actuals and Fiscal Year 2024-25 Budget will be updated throughout Appendix A as the reports become available.]

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− *Allocation of State Funding to School Districts; Local Control Funding Formula*") and a local portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the California Constitution (see "− Local Property Tax Revenues"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. Based on the District's Fiscal Year 2024-25 Budget, the District has budgeted to receive approximately [11.00]% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* property tax), budgeted at approximately $[4.89 million] in fiscal year 2024-25. Such amount includes both the State funding provided under the LCFF as well as other State revenues. See "− *Allocation of State Funding to School Districts; Local Control Funding Formula,*" "*– Enrollment, A.D.A. and LCFF*" and "− Other District Revenues – *Other State Revenues*" below. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

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

State Budget Process. According to the California Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2023-24 State budget on June 27, 2023, which was amended through a series of legislative bills (as amended, the "2023-24 State Budget").

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

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

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

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

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

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2024 Bonds, and the District takes no responsibility for informing owners of the Series 2024 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at **www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2023-24 State Budget. The 2023-24 State Budget reflects a downturn in revenues and slower revenue growth than previous projections due to declining stock market, high inflation, rising interest rates and layoffs in high-wage sectors. The 2023-24 State Budget projects to address the shortfall in revenues by paying down the State's debt and using one-time surplus funds on one-time commitments. The 2023-24 State Budget includes a package of solutions to bridge an approximately $31.7 billion shortfall while avoiding deep and damaging program cuts. Specifically, the 2023-24 State Budget shifts approximately $9.3 billion of spending commitments from the State's general fund to other funds, reduces or pulls back approximately $8.1 billion in previously approved State general fund spending, delays approximately $7.9 billion in spending across multiple years, includes approximately $6.1 billion in additional revenue, primarily from the Managed Care Organization tax as well as internal borrowing from special fund balances not projected for programmatic purposes, and builds in approximately $340.0 million in trigger reductions that are projected to be restored in the proposed budget for fiscal year 2024-25, assuming sufficient funds at that time. The 2023-24 State Budget avoids new significant ongoing commitments and maintains fiscal discipline by setting aside a record $37.8 billion in total budgetary reserves. The 2023-24 State Budget notes that a tax filing delay due to unprecedented storms in fiscal year 2022-23 has delayed the projected receipt of $42.0 billion in State tax receipt to October 2023, including $28.4 billion from personal income tax and $13.3 billion from corporation tax, representing nearly one-fourth of the fiscal year 2022-23 total projected personal income tax, and nearly one-third of the fiscal year 2022-23 corporation tax.

The 2023-24 State Budget projects total resources available in fiscal year 2022-23 of approximately $260.9 billion, including revenues and transfers of approximately $205.1 billion and a prior year balance of approximately $55.8 billion, and total expenditures in fiscal year 2022-23 of approximately $234.6 billion. The 2023-24 State Budget projects total resources available for fiscal year 2023-24 of approximately $235.0 billion, inclusive of revenues and transfers of approximately $208.7 billion and a prior year balance of approximately $26.4 billion. The 2023-24 State Budget projects total expenditures in fiscal year 2023-24 of approximately $225.9 billion, inclusive of non-Proposition 98 expenditures of approximately $147.5 billion and Proposition 98 expenditures of approximately $78.4 billion. Citing revenue risks and uncertainties, the 2023-24 State Budget includes a historic level of reserves as an important resiliency tool, setting aside a total of $37.8 billion in fiscal year 2023-24 and allocates reserves as follows: approximately $22.3 billion in the State Rainy Day Fund (the "Rainy Day Fund" or "State Rainy Day Fund") for fiscal emergencies, approximately $10.8 billion in the Proposition 98 Rainy Day Fund

(Public School System Stabilization Account) (the "PSSSA" or the "Proposition 98 Rainy Day Fund"), approximately $900.0 million in the Safety Net Reserve, and approximately $3.8 billion to the State's Special Fund for Economic Uncertainties (the "SFEU"). In addition, the 2023-24 State Budget allocates approximately $5.3 billion of the State general fund's projected fund balance in fiscal year 2023-24 to the State's Reserve for Liquidation of Encumbrances. The State Rainy Day Fund is at its constitutional maximum of 10% of State general fund revenues.

The 2023-24 State Budget includes total funding of $129.2 billion for all K-12 education programs, including $79.5 billion from the State's general fund and $49.7 billion from other funds. The 2023-24 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Certain budgeted programs and adjustments for K-12 education set forth in the 2023-24 State Budget include the following:

- Proposition 98 Minimum Guarantee. The 2023-24 State Budget reflects Proposition 98 funding levels of $110.6 billion in fiscal year 2021-22, $107.4 billion in fiscal year 2022-23, and $108.3 billion in fiscal year 2023-24. Such funding represents approximately 38.5% of the State's general fund revenues, plus local property tax revenues. To accommodate enrollment increases related to the expansion of transitional kindergarten, the 2023-24 State Budget increased the funding level from approximately 38.2% to approximately 38.5% to increase the percentage of State general fund revenues due to the minimum guarantee.

- Proposition 98 Rainy Day Fund. The 2023-24 State Budget includes payments required to be made to the Proposition 98 Rainy Day Fund in fiscal years 2021-22 through 2023-24 for a total account balance of $10.8 billion at the end of fiscal year 2023-24. The balance of approximately $9.9 billion in fiscal year 2022-23 triggers a cap on school district reserves beginning in fiscal year 2023-24. See " – School District Reserves" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

- Local Control Funding Formula. The 2023-24 State Budget includes a LCFF cost-of-living adjustment of 8.22%, which is the largest cost-of-living adjustment in the history of LCFF. The 2023-24 State Budget provides approximately $556.3 million ongoing Proposition 98 general fund resources to reflect the cost-of-living adjustment for specified categorical programs. The cost-of-living adjustment, when combined with declining enrollment adjustments, increases the year-over-year discretionary funds available to local education agencies by approximately $3.4 billion. The 2023-24 State Budget also reflects the utilization of approximately $1.6 billion one-time Proposition 98 State general fund resources to support the overall costs of the LCFF in fiscal year 2023-24, and provides an increase of approximately $80.0 million ongoing Proposition 98 State general fund resources to support county offices of education serving students in juvenile court and other alternative school settings.

- Accountability Improvements and Equity Multiplier. To support accountability and a continuous improvement system to ensure student group and school site equity gaps within a local education agency are identified and addressed through the Local Control and Accountability Plan, the 2023-24 State Budget provides approximately $300.0 million ongoing Proposition 98 State general fund resources to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and approximately $2.0 million ongoing Proposition 98 general fund resources to support the critical work of the new Equity Leads within the statewide system of support.

- Literacy. The 2023-24 State Budget provides approximately $250.0 million one-time Proposition 98 general fund resources to build upon the existing Literacy Coaches and Reading Specialists Grant Program, which funds high-poverty schools to train and hire literacy coaches and reading specialists for one-on-one and small group intervention for struggling readers.

- State Preschool Program. The 2023-24 State Budget includes the following set asides to fund any adjustments related to reimbursement for preschool providers: approximately $343.1 million in Proposition 98 general fund resources and $20,000 in non-Proposition 98 general fund resources from fiscal year 2022-23; approximately $369.3 million in Proposition 98 general fund resources and $126.1 million in general fund resources from fiscal year 2023-24; and approximately $445.7 million in Proposition 98 general fund resources and $186.5 million in general fund resources from fiscal year 2024-25. Consistent with this approach, the 2023-24 State Budget suspends the annual cost-of-living adjustment applicable to the State Preschool Program in fiscal years 2023-24 and 2024-25.

  The 2023-24 State Budget reallocates approximately $4.4 million non-Proposition 98 general fund resources and approximately $5.3 million Proposition 98 general fund resources from the 2022-23 State budget to continue to waive family fees from July 1, 2023 through September 30, 2023, and provides approximately $112.0 million in available federal funds to provide temporary stipends for State Preschool Program employees.

- Transitional Kindergarten. The 2023-24 State Budget provides approximately $357.0 million in ongoing Proposition 98 general fund resources for fiscal year 2022-23 to support the first year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and February 2. The 2023-24 State Budget also provides approximately $283.0 million in Proposition 98 general fund resources to provide one additional certificated or classified staff person in each transitional kindergarten classroom. Additionally, the 2023-24 State Budget provides approximately $597.0 million in ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24 to support the second year of expanded eligibility for transitional kindergarten to all children turning five-years-old between September 2 and April 2. The 2023-24 State Budget also provides approximately $165.0 million in Proposition 98 general fund resources to support the second year of adding one additional certificated or classified staff person in each transitional kindergarten classroom.

- Arts, Music, and Instructional Materials Discretionary Block Grant. The 2023-24 State Budget decreases one-time Proposition 98 general fund support for the Arts, Music, and Instructional Materials Block Grant by approximately $200.0 million, reducing total one-time program support from approximately $3.5 billion to approximately $3.3 billion. The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) will provide approximately $938.0 million ongoing Proposition 98 general fund resources beginning in fiscal year 2023-24.

- Learning Recovery Emergency Block Grant. The 2023-24 State Budget delays approximately $1.1 billion one-time Proposition 98 general fund resources for the Learning Recovery Emergency Block Grant to fiscal years 2025-26, 2026-27, and 2027-28.

- Zero-Emission School Buses. The 2023-24 State Budget delays approximately $1.0 billion one-time Proposition 98 general fund resources to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission to fiscal years 2024-25 and 2025-26.

- California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program (the "Full-Day Kindergarten Facilities Grant Program"). The 2022-23 State budget included $100.0 million one-time general fund resources and reflected an additional $550.0 million in fiscal year 2023-24 to support the Full-Day Kindergarten Facilities Grant Program. The 2023-24 State Budget delays the planned $550.0 million investment for this program to fiscal year 2024-25.

- School Facility Program. The 2023-24 State Budget provides approximately $2.0 billion one-time general fund resources, which is $100.0 million less than previously planned, to support the School Facility Program in fiscal year 2023-24.

- Nutrition. The 2023-24 State Budget provides an additional $154.0 million in ongoing Proposition 98 general fund resources and an additional $110.0 million one-time Proposition 98 general fund resources to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.

- Bipartisan Safer Communities Act, Stronger Connections Program. The 2023-24 State Budget provides approximately $119.6 million in one-time federal funds to support local education activities related to improving school climate and safety through the Stronger Connections Program.

- Charter School Facility Grant Program. Consistent with the 2022-23 State budget, the 2023-24 State Budget provides a one-time investment of $30.0 million Proposition 98 general fund resources to support eligible facilities costs.

The complete 2023-24 State Budget is available from the California Department of Finance website at **www.dof.ca.gov** or **www.ebudget.ca.gov**. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2024-25 State Budget. The Governor released the fiscal year 2024-25 proposed State budget (the "Proposed 2024-25 State Budget") on January 10, 2024, which maintains the State's fiscal stability using some of the money saved in historic budget reserves. The Proposed 2024-25 State Budget notes that the estimated $37.9 billion budget shortfall poses a substantial challenge and is rooted in two separate but related developments during fiscal years 2022-23 and 2023-24 – the substantial decline in the stock market that drove down revenues in fiscal year 2022-23 and the unprecedented delay in critical income tax collections in fiscal year 2023-24. The Governor's proposed budgets in January and May 2023 warned of this increased budgetary uncertainty, and in June 2023, the State passed a budget that planned accordingly, setting aside record reserves of just under $38.0 billion. The Proposed 2024-25 State Budget solves for last fiscal year's shortfall while adjusting State spending to ensure continued fiscal stability in future fiscal years.

The stock market recovery and improved economic growth support the Proposed 2024-25 State Budget forecast assumptions that revenue growth will resume in fiscal year 2023-24 following the steep correction in fiscal year 2022-23, with potential upside through fiscal year 2024-25 if the markets continue to outperform the forecast. In addition, the Federal Reserve has indicated it intends to cut interest rates throughout 2024, which may stimulate real estate transactions and other sectors of State's economy. However, several risk factors such as a significant financial shock from tightening financial conditions, stock market and asset price volatility, and declines and geopolitical turmoil, could negatively impact the economy going forward. The Proposed 2024-25 State Budget provides that even after the proposed withdrawals from State reserves, total reserves in fiscal year 2024-25 will remain substantial at $18.4

billion. This includes $11.1 billion in the State Rainy Day Fund, $3.9 billion in the Proposition 98 Rainy Day Fund, and $3.4 billion in the SFEU.

The Proposed 2024-25 State Budget incorporates the following balanced combination of measures to close the budgetary shortfall in fiscal year 2024-25:

- $13.1 billion in budget withdrawals from the State's reserves, including $10.4 billion from the mandatory State Rainy Day Fund and Transfer Suspension, $1.8 billion from the discretionary State Rainy Day Fund, and $900.0 million from the Safety Net Reserve.

- $8.5 billion in various budget spending reductions, including, but not limited to, $500.0 million in reductions to the School Facilities Aid Program and $494.0 million in reductions to the Student Housing Revolving Loan Fund Program.

- $5.7 billion in support from revenue sources and internal borrowing from special funds.

- $5.1 billion in delayed budgetary funding for multiple items spread across a three-year period, beginning in fiscal year 2025-26, including but not limited to, a $550.0 funding delay to the Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.

- $3.4 billion in budget fund shifts of certain expenditures from the State general fund to other funds, including, but not limited to, a $1.3 billion reduction on State plans retirement contributions using Proposition 2 debt repayment funding.

- $2.1 billion in funding deferrals to fiscal year 2025-26.

In addition to the budgetary solutions listed above, the Proposed 2024-25 State Budget includes withdrawals from the Proposition 98 Rainy Day Fund of $5.7 billion to maintain support for local educational agencies and community college districts.

The Proposed 2024-25 State Budget estimates total resources available in fiscal year 2023-24 of approximately $238.9 billion, including revenues and transfers of approximately $196.9 billion and a prior year balance of approximately $42.1 billion, and total expenditures in fiscal year 2023-24 of approximately $230.9 billion. The Proposed 2024-25 State Budget projects total resources available for fiscal year 2024-25 of approximately $222.7 billion, inclusive of revenues and transfers of approximately $214.7 billion and a prior year balance of approximately $8.0 billion. The Proposed 2024-25 State Budget projects total expenditures in fiscal year 2024-25 of approximately $208.7 billion, inclusive of non-Proposition 98 expenditures of approximately $131.8 billion and Proposition 98 expenditures of approximately $76.9 billion. The Proposed 2024-25 State Budget includes approximately $29.0 billion in reserves in fiscal year 2024-25 and allocates reserves as follows: approximately $11.1 billion in the State Rainy Day Fund for fiscal emergencies, approximately $3.9 billion in the Proposition 98 Rainy Day Fund, approximately $10.6 million in the Reserve for Liquidation and Encumbrances, and approximately $3.4 billion in the State's SFEU.

The Proposed 2024-25 State Budget includes total funding of approximately $126.8 billion for all K-12 education programs, including approximately $76.4 billion from the State's general fund and approximately $50.4 billion from other funds. Per-pupil funding totals $17,653 per pupil in Proposition 98 funding and $23,519 per pupil when accounting for all funding sources.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2024-25 State Budget include the following:

- Proposition 98 Minimum Guarantee. The revised estimates of State general fund revenues in the Proposed 2024-25 State Budget result in notable adjustments to the Proposition 98 minimum guarantee, resulting in funding estimates of approximately $98.3 billion in fiscal year 2022-23, $105.6 billion in fiscal year 2023-24, and $109.1 billion in fiscal year 2024-25, representing a three-year decrease in the minimum guarantee of approximately $11.3 billion over the level funded in the 2023-24 State Budget. Recognizing that the delay in the State tax filing deadline in fiscal year 2022-23 impacted State revenue projections for fiscal year 2022-23 available at the time the 2023-24 State Budget was enacted, the Proposed 2024-25 State Budget proposes statutory changes to address approximately $8.0 billion of this decrease to avoid impacting existing school district and community college district budgets.

- Proposition 98 Rainy Day Fund. The 2023-24 State Budget projected a total balance of $10.8 billion in the Proposition 98 Rainy Day Fund. The Proposed 2024-25 State Budget reflects revised fiscal year 2022-23 and 2023-24 payments, and a fiscal year 2024-25 payment, of approximately $339.0 million, $288.0 million, and $752.0 million, respectively, into the Proposition 98 Rainy Day Fund, and withdrawals of approximately $3.0 billion in fiscal year 2023-24 and $2.7 billion in fiscal year 2024-25, for a total revised account balance of more than $3.8 billion at the end of fiscal year 2024-25. There is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Proposition 98 Rainy Day Fund is equal to or greater than 3% of the total K-12 share of the Proposition 98 minimum guarantee. The balance of $5.7 billion in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 continues to trigger school district reserve caps in fiscal year 2024-25. See *"– School District Reserves"* and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

- Local Control Funding Formula. The Proposed 2024-25 State Budget includes a LCFF cost-of-living adjustment of approximately 0.76% (down from the 3.94% cost-of-living adjustment estimated at the time of the enactment of the 2023-24 State Budget). When combined with population growth adjustments, this will result in a decrease of approximately $1.4 billion in discretionary funds for local educational agencies. To fully fund this increase and to maintain the level of current year principal apportionments, the Proposed 2024-25 State Budget proposes withdrawing approximately $2.8 billion from the Proposition 98 Rainy Day Fund to support ongoing LCFF costs in fiscal year 2023-24, withdrawing approximately $2.2 billion from the Proposition 98 Rainy Day Fund to support ongoing LCFF costs in fiscal year 2024-25, and using available reappropriation and reversion funding totaling $38.6 million to support ongoing LCFF costs in fiscal year 2024-25.

- Local Property Tax Adjustments. The Proposed 2024-25 State Budget includes decreases of in Proposition 98 general fund resources for school districts and county offices of education of $113.0 million and $996.0 million, respectively, in fiscal year 2023-24 and fiscal year 2024-25, as a result of increased offsetting property taxes.

- Instructional Continuity. To provide students with needed instructional continuity including when facing challenges such as severe climate events, illness, or other barriers that impact attendance, the Proposed 2024-25 State Budget proposes statutory changes to allow local educational agencies to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss and chronic absenteeism, as well as related fiscal impacts.

- California State Preschool Program. To support reimbursement rate increases previously supported by available one-time federal stimulus funding, the Proposed 2024-25 State Budget includes $53.7

million in general fund resources. These resources are in addition to approximately $140.6 million in general fund resources and $206.3 million in Proposition 98 general fund resources identified in the 2023-24 State Budget.

- Teacher Preparation and Professional Development. To support training for educators to administer literacy screenings, the Proposed 2024-25 State Budget proposes $25.0 million in ongoing Proposition 98 general fund resources through the K-12 Mandate Block Grant.

  To further assist educators in teaching mathematics aligned to the State Board of Education's newly adopted Mathematics Framework, the Proposed 2024-25 State Budget proposes $20.0 million in one-time Proposition 98 general fund resources for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified governmental or non-profit providers, to develop and provide training for mathematics coaches and leaders who can in turn provide training and support to math teachers to deliver high-quality instruction.

  The Proposed 2024-25 State Budget also proposes to make statutory changes to focus the use of unexpended allocated Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs and incorporated into the existing Local Control and Accountability Plan (LCAP) development process, and to clarify that the allowable uses of such grant funds include professional development aligned to the new Mathematics Framework.

- School Facility Program. The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51), approved by voters in November 2016, authorized $9.0 billion in State general obligation bonds to support K-12 and community college school facilities construction. With Proposition 51 bond authority funds nearly exhausted, the 2022-23 State budget and 2023-24 State Budget provided approximately $1.3 billion in one-time general fund resources and $2.0 billion in one-time general fund resources, respectively, for the School Facility Program, for K-12 school facilities construction. To address the projected budget shortfall, the Proposed 2024-25 State Budget adjusts a planned fiscal year 2024-25 investment for the School Facility Program from $875.0 million to $375.0 million in one-time general fund resources.

- Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program. The Full-Day Kindergarten Facilities Grant Program supports the construction of new school facilities or retrofitting existing school facilities for the purpose of providing transitional kindergarten, full-day kindergarten, or preschool classrooms. The 2022-23 State budget included $100.0 million in one-time general fund resources for the Full-Day Kindergarten Facilities Grant Program, and the 2023-24 State Budget reflected an additional $550.0 million in fiscal year 2024-25 to support the Full-Day Kindergarten Facilities Grant Program. To address the projected budget shortfall, the Proposed 2024-25 State Budget delays the fiscal year 2024-25 planned investment of $550.0 million to fiscal year 2025-26.

- Zero-Emission School Buses. The Proposed 2024-25 State Budget maintains $500.0 million one-time Proposition 98 general fund resources to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission in fiscal year 2024-25.

- Nutrition. The Proposed 2024-25 State Budget includes an increase of $122.2 million in ongoing Proposition 98 general fund resources to fully fund the universal school meals program in fiscal year 2024-25.

The complete Proposed 2024-25 State Budget is available from the California Department of Finance website at **www.dof.ca.gov or www.ebudget.ca.gov**. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Analysis of the Proposed 2024-25 Budget. The LAO released its report on the Proposed 2024-25 Budget entitled "The 2024-25 Budget: Proposition 98 and K-12 Education" on February 15, 2024 (the "2024-25 Proposed Budget Analysis"). In the 2024-25 Proposed Budget Analysis, the LAO assesses changes related to the Proposition 98 Rainy Day Fund and Proposition 98 minimum guarantee and analyzes the major proposals for K-12 education.

The LAO notes that Proposition 98 sets aside a minimum amount of funding for schools based upon a set of constitutional formulas. Due to reductions in State revenue and delayed deadline for personal income and corporation tax payments, the Proposed 2024-25 Budget estimates the funding requirement to be down significantly over the fiscal years 2022-23 through 2024-25. Specifically, the delayed payments show that State tax collections for fiscal year 2022-23 were nearly $26.0 billion lower than the levels the State estimated in June 2023. The Proposed 2024-25 Budget revised the estimate of the Proposition 98 minimum guarantee down nearly $9.1 billion for fiscal year 2022-23. The LAO observes that the reduction in the guarantee primarily reflects the significant drop in general fund revenue, but is offset slightly by a small increase in property tax revenue. The downward revision is the largest reduction to the guarantee in a prior year since the passage of Proposition 98 in 1988. By contrast, previous downward revisions to the prior-year guarantee have never been larger than a couple hundred million dollars. The LAO notes that nearly half of the increase, however, is due to two special adjustments. First, the State adjusts the guarantee up by more than $930.0 million to account for the arts education program established by Proposition 28 in the year 2022. Second, it makes a further upward adjustment of more than $630.0 million to account for the continued expansion of eligibility for transitional kindergarten. The LAO estimates the Proposition 98 guarantee is $7.7 billion lower than the Proposed 2024-25 Budget level over the period. Specifically, estimates are $5.2 billion lower in fiscal year 2023-24 and $2.5 billion lower in fiscal year 2024-25.

The Proposed 2024-25 Budget anticipates a rapid recovery and assumes an 8.0% increase in general fund revenue relative to the lower fiscal year 2022-23 level, including a 12.0% increase in personal income tax receipts. The Proposed 2024-25 Budget anticipates a relatively strong rebound in general fund revenue for fiscal year 2023-24, but the State tax collections through January 2024 point to continuing weakness. Tax receipts from regular income tax withholding (the largest portion of the personal income tax) came in $1.0 billion or 11.0% below the estimates in the Proposed 2024-25 Budget. Receipts from the quarterly estimated payments were even worse, coming in $3.0 billion or 27.0% below the budget estimate. Based on the recent tax collection data, the LAO sees a high level of downside risk to the revenue estimates in the Proposed 2024-25 Budget. Specifically, LAO's updated estimate of general fund revenue (released in February 2024) is $15.3 billion lower than the Proposed 2024-25 estimates for fiscal year 2023-24 and $8.4 billion lower for fiscal year 2024-25. The LAO notes that there is low probability that revenues will approach the levels in the Proposed 2024-25 Budget. The LAO estimates that the lower general fund revenue reduce the guarantee by nearly 40 cents for each dollar of lower revenue. Increases in local property tax, however, increase the Proposition 98 minimum guarantee on a dollar-for-dollar basis.

LAO's estimates of property tax revenue are somewhat higher than the levels in the Proposed 2024-25 Budget. The LAO observes that the most important factor affecting local property tax revenue is the rate of growth in assessed property values. The Proposed 2024-25 Proposed Budget estimates assessed values will grow 5.1% in fiscal year 2023-24 and 4.7% in fiscal year 2024-25. The LAO observes that this growth assumption is somewhat below the historical average of about 5.5%. Accounting for all of the factors, the overall increase in local property tax revenue is about 4.0% in each year. The Proposed 2024-25 Budget forecasts Proposition 98 guarantee to grow to $111.9 billion in fiscal year 2025-26, an increase of $2.8

billion or 2.6% from the fiscal year 2024-25 level. The LAO observes that approximately $1.1 billion of this increase in the guarantee is attributable to an adjustment for transitional kindergarten. Most notably, recent data from the Board of Equalization show that assessed property values grew nearly 6.7% in fiscal year 2023-24, compared with the estimate of 5.1% in the Proposed 2024-25 Budget.

The LAO emphasizes that the Proposed 2024-25 Budget's largest solution is a funding maneuver that would move some prior-year school spending to the non-Proposition 98 side of the budget and delay budgetary recognition of the expenditure for several years. In effect, the State would be using its cash resources to finance payments to schools that exceed the Proposition 98 guarantee in the prior year and creating an internal obligation to recognize the underlying budgetary cost at some point in the future. Unlike a traditional loan, however, the State would not score this mechanism as borrowing, make payments to an external creditor, or accrue any interest. The Proposed 2024-25 Budget also proposes a $4.9 billion discretionary withdrawal to cover school spending that would otherwise exceed the minimum guarantee. Of this amount, the budget would use $2.8 billion for LCFF in fiscal year 2023-24 and $2.1 billion for LCFF in fiscal year 2024-25. These withdrawals would leave $3.9 billion in the reserve for future use. This balance exceeds the threshold triggering the cap on local school district reserves, meaning the cap would remain operative for at least another year. Furthermore, most of the school districts will experience funding declines in fiscal year 2024-25 as their higher attendance levels from earlier years continue phasing out of their average. The Proposed 2024-25 Budget estimates this phaseout will reduce LCFF statewide by $2.0 billion or 2.6%. Partially offsetting this reduction, the 2024-25 Budget estimates an LCFF increase of $796.0 million related to the expansion of transitional kindergarten. This increase consists of $635.0 million for base, supplemental, and concentration grant funding generated by students who are newly eligible in fiscal year 2024-25 and $161.0 million to support lower staffing ratios for these students. Accounting for the attendance phaseout and the expansion of transitional kindergarten, the overall reduction in LCFF costs is $1.2 billion.

The LAO notes that the Proposed 2024-25 Budget recognizes the budget problem and introduces a few reasonable ideas. Most notably, the inclination to access funds in the Proposition 98 Rainy Day Fund and identify savings in the State Preschool program. However, the LAO expresses major concerns with the proposal to allow schools to keep cash disbursements above the minimum guarantee without recognizing the budgetary cost of those payments. This proposal creates a new type of budget solution: effectively, an interest-free loan from the State's cash resources and, as such, it sets a problematic precedent. If the State legislature were to avoid the funding maneuver entirely and reduce funding to LAO's lower estimates of the guarantee, the State would need to identify a total of $14.0 billion in reductions or solutions affecting schools. Discretionary withdrawals from the Proposition 98 Rainy Day Fund as a one-time solution is contingent upon the State Governor declaring a budget emergency and the State legislature enacting a law authorizing the withdrawal. The LAO shares the view that a reserve withdrawal is warranted, but has concerns about the way the Proposed 2024-25 Budget would use these funds. The Proposed 2024-25 Budget would use reserves to cover costs in fiscal years 2023-24 and 2024-25, including to free-up funding for spending increases. Using reserve withdrawals to support new spending seems contrary to the core purpose of the reserve—protecting existing programs—and diminishes an important tool that could mitigate the prior-year shortfall. The LAO notes that the reduction for State preschool program is reasonable, however, if program enrollment increases, the costs associated with providing certain payments in fiscal year 2024-25 will increase. Additionally, the Proposed 2024-25 Budget funds the full COLA in fiscal year 2024-25 even though the guarantee cannot even support existing program costs. The LAO estimates that if the State had reduced the COLA rate for fiscal year 2023-24, it would face little or no ongoing shortfall in fiscal year 2024-25.

The LAO has offered recommendations to address the budget shortfall. The LAO recommends that the State legislature should prioritize core school programs but also promote stability for the budget moving forward. Taking this approach would require the State legislature to make some difficult choices this year, but offers substantial advantages. The LAO notes that the Proposed 2024-25 proposed funding maneuver is bad fiscal policy, sets a problematic precedent, and creates a binding obligation on the state that will worsen future deficits and require more difficult decisions. The LAO strongly recommends the State legislature to reject the funding maneuver. The LAO recommends that the State legislature should begin identifying alternative reductions and solutions it would need to balance the budget. Specifically, the LAO recommends the following one-time and ongoing spending solutions:

- Build a budget that (1) contains a discretionary reserve withdrawal and (2) directs the entire withdrawal toward addressing the shortfall in fiscal year 2022-23. To the extent the State is required to withdraw any funds that remain in the reserve after covering the shortfall in fiscal year 2022-23, the LAO recommends directing those funds toward existing program costs that would otherwise exceed the guarantee in fiscal year 2023-24.

- Reject all of the one-time increases proposed in the Proposed 2024-25 Budget to achieve savings of $599.0 million.

- Review existing grants with unallocated funding and reduce or eliminate any grants that do not represent highest priorities. The LAO recommends that one reasonable starting point would be to rescind some of the funding for community schools.

- For a few ongoing programs, the State likely could make one-time reductions that school districts could accommodate by drawing upon unspent carryover funding. Two of the programs for which the LAO anticipates school districts have unspent funds available are ELOP and the Special Education Early Intervention Grant.

- Zero out the COLA for the upcoming year. Rejecting the COLA would reduce the ongoing shortfall by $628.0 million and help the state avoid committing to an ongoing spending level it would have difficulty maintaining in the future.

- Reject most other ongoing increases in the Proposed 2024-25 Budget, including the increases for school meals and the funding for literacy screeners.

- Plan to adopt lower LCFF cost estimates than the Proposed 2024-25 Budget anticipates for fiscal years 2023-24 and 2024-25 and use updated data to calibrate estimates. Related to these recommendations, the LAO recommends ensuring the estimates account for the interaction between the expansion of transitional kindergarten and the three-year rolling average attendance calculation. Under LAO's latest estimates, the overall cost of LCFF would be $1.8 billion lower across fiscal years 2023-24 and 2024-25.

- Explore changes to ongoing programs that could generate additional savings. The LAO outlines options for reducing costs in five large programs: ELOP allocations, State Preschool program, School Nutrition program, School Transportation program and Transitional Kindergarten Staffing Add-On program.

- Eliminate or scale back by revisiting three LCFF add-ons that provide additional funding for certain districts based on historical factors to reduce historical funding inequities among school districts, simplify the LCFF, and provide ongoing savings. The LAO profiles three such add-ons: Targeted Instructional Improvement Block Grants, Minimum State Aid and Economic Recovery Targets.

Early Action Agreement to Reduce State Budget Shortfall. On April 4, 2024, the Governor and the State Legislature agreed to an Early Action budget package (the "Early Action Agreement") to reduce the existing shortfall in the Proposed 2024-25 State Budget, to be addressed in the final budget for fiscal year 2024-25, by approximately $17.3 billion. The Early Action Agreement consists of a mix of budgetary actions, including $3.6 billion in budgetary reductions (primarily to one-time funding), $5.2 billion in revenue and borrowing, $5.2 billion in delays and deferrals, and $3.4 billion in shifts of costs from the general fund to other State funds. With respect to the budgeted programs for K-12 education, the Early Action Agreement includes a $500.0 million reduction to the School Facility Aid Program and a $550.0 million funding delay with respect to the Full-Day Kindergarten Facilities Grant Program. The Early Action Agreement does not address the Proposition 98 funding maneuver proposed in the Proposed 2024-25 State Budget. On April 11, 2024, the Early Action Agreement was approved by the State Legislature and on April 15, 2024, the Early Action Agreement was signed into law by the Governor.

The Early Action Agreement is available from the State of California website at **www.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

[***May Revision to Proposed 2024-25 State Budget*** to be added when available.]

[***LAO Analysis of the 2024-25 May Revision*** to be added when available.]

Changes in State Budget. The final fiscal year 2024-25 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2024-25 State Budget. [In May 2024, the Governor will revise the Proposed 2024-25 State Budget based on updated information available at such time. Such revision in May 2024 may also differ substantially from the Proposed 2024-25 State Budget.] The final fiscal year 2024-25 State budget may be affected by national and State economic conditions and other factors which the District cannot predict. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2024-25 State budget from the Proposed 2024-25 State Budget. The District cannot predict the impact that the final fiscal year 2024-25 State budget, or subsequent budgets, will have on its finances and operations.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash and could impair the State's ability to fund schools during the current fiscal year and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As each series of the Series 2024 Bonds is payable from ad *valorem* property taxes, the proposed and enacted State budgets are not expected to have a material impact on the payment of the Series 2024 Bonds.

School District Reserves. The State's economic and revenue outlook has changed, and the Governor is now proposing both payments into and withdrawals from the Proposition 98 Rainy Day Fund in fiscal years 2023-24 and 2024-25 in the Proposed 2024-25 State Budget (see "*– Proposed 2024-25 State Budget*"); school districts may need to access their local reserves in light of operational needs that may exceed expected funding under LCFF in a given fiscal year. The District, which has an average daily attendance ("A.D.A.") of less than 300, is required to maintain a reserve for economic uncertainty in an amount equal to the greater of 5% of its general fund expenditures and other financing uses of $80,000. In addition, the District has adopted a policy to achieve and maintain unrestricted fund balance in the District's general fund of 15% of total general fund expenditures, other uses and transfers out at the close of each fiscal year. At the time of preparation of the Fiscal Year 2024-25 Budget, the District projects it will meet the 5% statutory reserve requirement as well as the District 15% reserve policy requirement in fiscal year 2024-25.

Payments allocated to the Proposition 98 Rainy Day Fund under the fiscal year 2021-22 State budget and the Fiscal Year 2022-23 State budget triggered a reserve cap for school districts in fiscal years 2022-23 and 2023-24, respectively. Such reserve cap is triggered when the amount of money in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total State general fund revenues appropriated for school districts Statewide. Even with the Governor's proposed withdrawals in fiscal years 2023-24 and 2024-25 in the Proposed 2024-25 State Budget (see *"– Proposed 2024-25 State Budget"),* the Proposed 2024-25 State Budget indicates the balance of $5.7 billion in the Proposition 98 Rainy Day Fund in fiscal year 2023-24 continues to trigger school district reserve caps in fiscal year 2024-25. In accordance with Section 42127.01(a) of the California Education Code, once the reserve cap is triggered, a school district's assigned and unassigned ending fund balance cannot exceed 10% of such school district's general fund balance. However, pursuant to Section 42127.01(c) of the California Education Code, community funded districts and small school districts with fewer than 2,501 units of A.D.A. are exempt from the reserve cap. Since the District is a small school district with fewer than 2,501 units of A.D.A., the District is exempt from the reserve cap. For more information on the reserve cap legislation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – *SB 751*."

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

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

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the LCFF in fiscal year 2013-14, each school district received State funding based on a unique revenue limit multiplied by such school district's A.D.A. Under the revenue limit funding system, school districts also received funding for categorical programs based on the demographics and needs of the students in each school district.

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2023-24, the LCFF provided to school districts and charter schools: (a) a Base Grant for each LEA equivalent to $10,951 per A.D.A. for kindergarten through grade 3; (b) a Base Grant for each LEA equivalent to $10,069 per A.D.A. for grades 4 through 6; (c) a Base Grant for each LEA equivalent to $10,367 per A.D.A. for grades 7 and 8; (d) a Base Grant for each LEA equivalent to $12,327 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. The Base Grant amount for fiscal year 2023-24 includes a cost-of-living adjustment of 8.22%.

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

- An additional Concentration Grant of up to 65% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

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

- Starting with the 2023-24 fiscal year, an additional Equity Multiplier was added for LEAs who qualify by having both (1) a prior year nonstability rate of greater than 25 percent (which refers to the percentage of students who do not complete the year due to factors like expulsion) and (2) a prior year socioeconomically disadvantaged pupil rates of greater than 70 percent (which includes students with parents that do not have high school diplomas, students from low-income families, homeless youth, and foster youth). Every year, the state will allocate $300 million to the qualifying LEAs on a per-unit basis based on the LEA's prior year adjusted cumulative enrollment, but each qualifying school will receive at least $50 thousand. The Equity Multiplier revenue must be used for evidence-based services and support for pupils.

Prior to fiscal year 2022-23, school districts received their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. This apportionment method helped to temporarily mitigate the impact of LCFF funding losses on school districts that result from declining enrollment. To further mitigate the impact of LCFF funding losses in light of the COVID-19 pandemic, the fiscal year 2020-21 State budget included a temporary hold harmless provision for the purpose of calculating apportionments in fiscal year 2020-21 in which A.D.A. for fiscal year 2020-21 was based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The fiscal year 2021-22 State budget did not extend the A.D.A. hold harmless provision to fiscal year 2021-22. Nonetheless, in fiscal year 2021-22, school districts still retained the ability to receive their LCFF apportionment based on the higher of their prior fiscal year or current fiscal year A.D.A. in accordance with the LCFF.

The fiscal year 2022-23 State budget, as amended (the "2022-23 State Budget"), amended the LCFF calculation to consider the greater of a school district's current fiscal year, prior fiscal year, or the average of three prior fiscal years' A.D.A. to allow school districts more time to adjust to enrollment-related LCFF funding declines. For purposes of fiscal year 2021-22, a school district that can demonstrate it provided independent study offerings to students in fiscal year 2021-22 may consider the greater of such school district's fiscal year 2021-22 A.D.A. or such school district's fiscal year 2021-22 enrollment adjusted for pre-COVID-19 absence rates. Such adjustment is applicable to fiscal year 2021-22 for purposes of calculating a school district's fiscal year 2021-22 annual apportionment and calculating a school district's prior year A.D.A. or the average of three prior years' A.D.A. in fiscal year 2022-23 and future fiscal years in accordance with the amendments made in connection with the 2022-23 State Budget.

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

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Enrollment, A.D.A. and LCFF. The first table that follows sets forth the District's actual A.D.A., funded A.D.A., the basis for such funded A.D.A. (the current fiscal year A.D.A., the prior fiscal year A.D.A., or the average of three prior years' A.D.A.), enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and Base Grant (or targeted Base Grant, as applicable) per unit of A.D.A. for fiscal years 2020-21 through 2022-23, and the District's budgeted A.D.A., funded A.D.A., the basis for such funded A.D.A., enrollment (including the percentage of EL/LI Students), and Base Grant per unit of A.D.A. for fiscal year 2024-25 at the time of preparation of the Fiscal Year 2024-25 Budget for Harmony Elementary School.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2020-21 through 2024-25

Harmony Elementary School

Fiscal Year[1]		Total A.D.A. (TK-3)	Funding Basis	Total Enrollment[12]	Unduplicated % of EL/LI Students[12]
2020-21	Actual A.D.A.[2][4]:	57.57	--	40	31.48%
	Funded A.D.A.[2][4]:	57.57	Current Year	--	--
	Base Grant[3][5]:	$8,503	--	--	--
2021-22	Actual A.D.A.[2]:	40.22	--	43	25.17
	Funded A.D.A.[2]:	57.57	Prior	--	--
	Base Grant[3][6]:	$8,935	--	--	--
2022-23	Actual A.D.A.[2]:	45.64	--	44	17.69%
	Funded A.D.A.:	51.99	3 PY Average	--	--
	Base Grant[3][7]:	$10,119	--	--	--
2023-24[7]	Actual A.D.A.[2]:	55.62	--		
	Funded A.D.A.[2]:	49.78	3 PY Average	59	18.57%
	Base Grant[3][9]:	$10,951	--	--	--
2024-25[10]	Actual A.D.A.:	59.22	--		
	Funded A.D.A.:	54.87	Current Year	63	19.33%
	Base Grant[3][11]:	$11,033	--	--	--

(1) The District's schools were operated as dependent charter schools in fiscal year 2018-19. Since such data would not be comparable, it is excluded.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
(3) Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.
(4) Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.
(5) Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.
(6) Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.
(7) Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.
(8) Reflects budgeted A.D.A., funded A.D.A., enrollment, and percentage of unduplicated EL/LI Students as of Fiscal Year 2023-24 Budget.
(9) Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes a 8.22% cost-of-living adjustment from Fiscal Year 2022-23 Base Grant amounts.
(10) Reflects budgeted A.D.A., funded A.D.A., enrollment, and percentage of unduplicated EL/LI Students as of Fiscal Year 2024-25 Budget.
(11) Fiscal year 2024-25 Base Grant amount included in the Fiscal Year 2024-25 Budget assumes an approximately [3.94]% cost-of-living adjustment from Fiscal Year 2023-24 Base Grant amounts.
(12) Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Harmony Union School District.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Average Daily Attendance, Enrollment and Base Grant
Fiscal Years 2020-21 through 2024-25

Salmon Creek School

		A.D.A./Base Grant					Enrollment[12]	
Fiscal Year[1]		TK-3	4-6	7-8	Total A.D.A	Funding Basis	Total Enrollment	Unduplicated % of EL/LI Students
2020-21	Actual A.D.A.[2][4]:	42.86	74.12	40.45	157.13	--	160	27.66%
	Funded A.D.A.[2][4]:	42.86	74.12	40.45	157.13	Current Year	--	--
	Base Grant[3][5]:	$8,503	$7,818	$8,050	--	--	--	--
2021-22	Actual A.D.A.[2]:	44.64	53.34	28.55	126.53	--	139	28.39%
	Funded A.D.A.[2]:	44.64	53.34	28.55	126.53	Current Year	--	--
	Base Grant[3][6]:	$8,935	$8,215	$8,458	--	--	--	--
2022-23	Actual A.D.A.[2]:	41.95	64.97	26.93	133.85	--	144	28.44%
	Funded A.D.A.:	41.95	64.97	26.93	133.85	Current Year	--	--
	Base Grant[3][7]:	$10,119	$9,304	$9,580	--	--	--	--
2023-24[8]	Actual A.D.A.[2]:	41.97	80.17	43.30	165.44	--	174	27.71%
	Funded A.D.A.[2]:	41.97	80.17	43.30	165.44	Current Year		
	Base Grant[3][9]:	$10,951	$10,069	$10,367	--	--	--	--
							--	--
2024-25[10]	Actual A.D.A.:	38.54	73.32	44.18	156.04	--		
	Funded A.D.A.:	38.54	73.32	44.18	156.04	Current Year	166	25.96%
	Base Grant[3][11]:	$11,033	$10,146	$10,446	--	--	--	--

(1) The District's schools were operated as dependent charter schools in fiscal year 2018-19. Since such data would not be comparable, it is excluded.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
(3) Such amounts include the grade span adjustment, but do not include any Supplemental Grants and Concentration Grants under the LCFF.
(4) Attendance reporting not required for fiscal year 2020-21. The fiscal year 2020-21 State budget included a hold harmless provision, providing that A.D.A. for fiscal year 2020-21 was based on A.D.A. for fiscal year 2019-20 (for the condensed reporting period), as discussed in more detail above.
(5) Fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from fiscal year 2019-20 Base Grant amounts.
(6) Fiscal year 2021-22 Base Grant amount reflects a 5.07% adjustment from fiscal year 2020-21 Base Grant amounts, which includes a 4.05% cost-of-living adjustment and a 1% discretionary increase in Base Grant funding.
(7) Fiscal year 2022-23 Base Grant amount reflects an approximately 13.26% adjustment from fiscal year 2021-22 Base Grant amounts, which includes a 6.56% cost-of-living adjustment and a 6.70% discretionary increase in Base Grant funding.
(8) Reflects budgeted A.D.A., funded A.D.A., enrollment, and percentage of unduplicated EL/LI Students as of Fiscal Year 2023-24 Budget.
(9) Fiscal year 2023-24 Base Grant amount included in the Fiscal Year 2023-24 Budget assumes a 8.22% cost-of-living adjustment from Fiscal Year 2022-23 Base Grant amounts.
(10) Reflects budgeted A.D.A., funded A.D.A., enrollment, and percentage of unduplicated EL/LI Students as of Fiscal Year 2024-25 Budget.
(11) Fiscal year 2024-25 Base Grant amount included in the Fiscal Year 2024-25 Budget assumes an approximately 1.07% cost-of-living adjustment from Fiscal Year 2023-24 Base Grant amounts.
(12) Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district's funded percentage of unduplicated EL/LI Students is based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Harmony Union School District.

As of the District's fiscal year 2023-24 estimated actuals (the "Fiscal Year 2023-24 Estimated Actuals"), the District estimates to receive approximately $[4.35] million in aggregate revenues reported under LCFF sources in fiscal year 2023-24 (or approximately [76.00]% of its general fund revenues in fiscal year 2023-24), which was largely comprised of the District's local property tax revenue. See " – Local Property Tax Revenues – General" below. Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately $[19,597] and $[95,161], respectively, in fiscal year 2023-24. As of the preparation of the Fiscal Year 2024-25 Budget, the District budgets to receive approximately $[4.88] million in aggregate revenues reported under LCFF sources in fiscal year 2024-25 (or approximately [81.00]% of its general fund revenues in fiscal year 2024-25), which is largely comprised of the District's projected local property tax revenue. Such amount includes Supplemental Grants and Concentration Grants for targeted groups of approximately $[21,647] and $[87,506], respectively, in fiscal year 2024-25. [The District is not expected to receive additional revenue from the Equity Multiplier in fiscal year 2023-24 or fiscal year 2024-25.]

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

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

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

Local Property Tax Revenues

General. The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. The District's share of the local 1% property tax is separate from and in addition to the *ad valorem* property tax pledged to the repayment of all general obligation bonds of the District, including the Series 2024 Bonds. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the California Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

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

Process − *Allocation of State Funding to School Districts; Local Control Funding Formula"* for more information about the LCFF.

Based on the Fiscal Year 2023-24 Estimated Actuals, local property tax revenues are estimated to account for approximately [_____]% of the District's aggregate revenues reported under LCFF sources in fiscal year 2023-24 and are estimated to be approximately $[_____] million, or [_____]% of total general fund revenues in fiscal year 2023-24. Based on the Fiscal Year 2024-25 Budget, local property tax revenues are budgeted to account for approximately [_____]% of the District's aggregate revenues reported under LCFF sources in fiscal year 2024-25 and are budgeted to be approximately $[_____] million, or [_____]% of total general fund revenues in fiscal year 2024-25.

For information about the property taxation system in the State and the District's property tax base, see "– Property Taxation System," "– Assessed Valuation of Property Within the District," and "– Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS" in the front portion of the Official Statement.

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

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

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Based on the Fiscal Year 2023-24 Estimated Actuals, the District estimates that federal revenues, most of which are restricted, will comprise approximately [_____]% (or approximately $[_____] million) of the District's general fund estimated revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Budget, the District budgets that federal revenues, most of which are restricted, will comprise approximately [_____]% (or approximately $[_____]) of the District's general fund budgeted revenues for fiscal year 2024-25.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the LCFF, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Based on the Fiscal Year 2023-24 Estimated Actuals, the District estimates that other State revenues will comprise approximately [_____]% (or approximately $[_____] million) of the District's general fund estimated revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Budget, the District budgets that other State revenues will comprise approximately [_____]% (or approximately $[_____] million) of the District's general fund budgeted revenues for fiscal year 2024-25.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. Based on the Fiscal Year 2023-24 Estimated Actuals, the District estimates to receive approximately $[_____] million in State lottery revenue for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Budget, the District budgets to receive approximately $[_____] million in State lottery revenue for fiscal year 2024-25.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Based on the Fiscal Year 2023-24 Estimated Actuals, the District estimates that other local revenues will comprise approximately [_____]% (or approximately $[_____] million) of the District's general fund estimated revenues for fiscal year 2023-24. Based on the Fiscal Year 2024-25 Budget, the District budgets that other local revenues will comprise approximately [_____]% (or approximately $[_____] million) of the District's general fund budgeted revenues for fiscal year 2024-25.

Infectious Disease Outbreak

General. In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, many school districts in the State are funded based on the LCFF, which allocates a Base Grant per unit of average daily attendance with additional supplemental funding in the form of Supplemental Grants and Concentration Grants based on certain factors. See "– State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*." Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See "– State Funding of Education; State Budget Process – Future Budgets and Budgetary Actions." In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 was declared a pandemic by the World Health Organization, a national emergency by former President Trump and a state of emergency by the Governor. The national and public health emergency declarations ended on May 11, 2023. Additionally, the Governor issued a proclamation terminating the State's COVID-19 state of emergency on February 28, 2023.

Federal Response. On March 22, 2020, former President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19 administered through the Federal Emergency Management Agency ("FEMA"). Local educational agencies may submit a request for FEMA public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. [The District did not submit a FEMA request for public assistance and does not plan to submit such request.]***[District to confirm.]***

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

The District received approximately $[128,963] under the CARES Act, [which is the full amount allocated to the District under the CARES Act] and includes funding from the Elementary and Secondary School Emergency Relief Fund provided directly from the federal government to the District, from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, from the Governor's Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and from the State's general fund for learning loss mitigation provided from CARES Act funding administered through the State. [***District to confirm.]***

On December 27, 2020, HR 133 was enacted, which includes a $900 billion COVID-19 relief package. HR 133 provided approximately $81.9 billion to education, specifically about $4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which approximately $2.75 billion was reserved for private K-12 education, about $54.3 billion for public K-12 education, around $22.7 billion for postsecondary institutions, and about $819 million for outlying areas and Bureau of Indian Affairs schools. School districts are able to use their share of the approximately $54.3 billion K-12 education allocation under HR 133, which was based on the proportion of Title I funding received for the then most recent fiscal year, for purposes authorized by federal law and other specified uses. [The District received approximately $[_____] under HR 133, which is the full amount allocated to the District under HR 133, and such funds have been fully spent by the District.] ***[District to confirm.]***

On March 11, 2021, the American Rescue Plan Act of 2021 ("HR 1319"), a $1.9 trillion COVID-19 relief package, was enacted. HR 1319 provided approximately $165.15 billion to education, specifically about $122.8 billion to public K-12 education, around $2.75 billion to private K-12 education and about $39.6 billion to postsecondary institutions. Of the approximately $122.8 billion in K-12 funding, about $7.2 billion was set aside for purchasing technology to support digital learning and around $800 million was set aside for supporting homeless students. HR 1319 allocated K-12 funding to states and school districts according to the proportion of Title I funding received for the then most recent fiscal year. It further stipulated that of the K-12 funds received by states, 90% must be distributed to local educational agencies, 5% must be used to address learning loss, 1% must be used for summer enrichment programs and 1% must be used for comprehensive afterschool programs, and of the K-12 funds received by school districts, 20% must be used to address learning loss. HR 1319 allocated postsecondary funding based on the relative share of students receiving Federal Pell Grants at an institution. It also required that at least 50% of postsecondary funding must be spent on emergency, need-based financial aid grants to students and that a portion of remaining funds must be used to implement practices that monitor and suppress COVID-19. [The District expects to receive approximately $[_____] under HR 1319. The District has received approximately

$[_____] to date and expects to receive the remaining funding due under HR 1319 once it requests reimbursement for authorized COVID-19 expenditures.] ***[District to confirm.]***

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

The Governor signed Assembly Bill 86 ("AB 86") into law on March 5, 2021. AB 86 provided approximately $6.6 billion to local educational agencies to encourage a return to in-person education, with a focus on students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Funding was distributed as follows: $725 per student, an additional $1,000 per homeless student, and funds remaining after these apportionments are distributed proportionally based on LCFF. $2 billion was set aside as incentive for school districts that returned to in-person instruction by March 31, 2021 for at least TK-2 and ramping up to include higher grades if county transmission rates allow. Beginning April 1, 2021, school districts' apportioned incentive funding was reduced by 1% for every academic calendar day they do not offer in-person education until May 15, 2021, after which school districts forfeit their entire apportionment of incentive funding. AB 86 also established reporting requirements to monitor COVID-19 cases and in-person education status and apportioned $25 million to the State's "Safe Schools For All Team" to provide technical assistance, community engagement, oversight and accountability to school districts. AB 86 further set aside 10% of the State's vaccine supply for childcare and TK-12 education sector staff. [Under AB 86, the District received approximately $[_____] in incentive funding for returning to in-person instruction in April 2021[, which is the full amount allocated to the District], and has spent approximately $[_____] of these funds.] ***[District to confirm.]***

In addition to providing incentive funding, AB 86 allocated approximately $4.6 billion to local educational agencies to support expanded learning opportunities that target learning loss resulting from the COVID-19 pandemic. To be eligible for such funding, school districts were required to implement learning recovery programs that included, at minimum, supplemental instruction, resources for social and emotional well-being and meal programs. Subsequent to enacting AB 86, the Governor signed Assembly Bill 130 ("AB 130") into law on July 9, 2021. AB 130 replaced approximately $2.02 billion of State funding that AB 86 had allocated to support the expanded learning opportunities program with federal stimulus funds that the State received pursuant to the CARES Act, HR 133 and HR 1319. [Pursuant to AB 86, the District has received approximately $[_____] in expanded learning opportunities funding and [has spent the entire amount.] ***[District to confirm.]***

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction in March 2020 for the remainder of the 2019-20 school year, implemented a distance learning model and continued to use the distance learning model until [_____ 20[__]. Starting on [______], 20[__], the District offered a hybrid program to all District students. ***[District to provide dates and any additional details.]*** The District resumed in-person instruction five days a week for the 2021-22 school year and has continued in-person instruction since then. At such time, the District offered an independent study program to students who were unable to participate in in-person instruction.

Pursuant to the COVID-19 relief measures described above, the District has been allocated approximately $[_____] in State and federal funding to mitigate the impact of the COVID-19 pandemic beginning in fiscal year 2019-20 through September 30, 2024, receiving approximately $[_____] to date. As of the Fiscal Year 2023-24 Budget, the District has spent or encumbered all of the $[_____] million of such State and federal funding on COVID-19 related expenditures, such as [cleaning supplies, technology, COVID-19 testing, and staffing]. [District to confirm/provide any additional updates.] The District currently expects such funding will cover the increased expenditures relating to COVID-19 that the District has incurred and expects to incur through September 30, 2024. ***[District to confirm.]***

While the State and federal one-time COVID-19 relief funding has provided and will continue to provide some immediate relief to school districts, including the District, the long-term impacts of the COVID-19 outbreak on the District's operations and finances are not fully known as the situation continues to evolve. The District cannot predict whether similar legislation providing State and federal one-time relief funding would be enacted in the future in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

Charter Schools

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

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

There are currently two charter schools, Pathways Charter School and Salmon Creek School, operating in the District. Pathways Charter School is an independent charter school and Salmon Creek School is a dependent charter school. Both charter schools operate under charters from the District. Pathways Charter School serve grades kindergarten through twelfth and Salmon Creek School serves grades second through eighth. Enrollment at Pathways Charter School was 332 students in fiscal year 2023-24 and is budgeted to be approximately 340 students in fiscal year 2024-25. The enrollment and A.D.A. information for Salmon Creek School is set forth in "DISTRICT FINANCIAL MATTERS – *Enrollment, A.D.A. and LCFF*" above. The District's audited financial statements for fiscal year 2022-23, which are included as Appendix B, include the operations of Salmon Creek School. Pathways Charter School prepares separate audited financial statements, which are not included in the District's audited financial statements.

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

Significant Accounting Policies and Audited Financial Statements

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are required to be accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all State school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2023, which are included as Appendix B to the Official Statement.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. However, in response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provided that a school district's audited financial statements for fiscal year 2019-20 were not due until March 31, 2021. Accordingly, the District filed its audited financial statements for fiscal year 2019-20 with the State Controller's Office, the State Superintendent of Public Instruction, and the Sonoma County Superintendent of Schools by March 31, 2021. Pursuant to Assembly Bill 130 (Chapter 44, enacted on July 9, 2021), the deadline for school districts to file their audited financial statements for fiscal year 2020-21 was extended to January 31, 2022. Accordingly, the District filed its audited financial statements for fiscal year 2020-21 with the State Controller's Office, the State Superintendent of Public Instruction, and the Sonoma County Superintendent of Schools by January 31, 2022. The deadline for school districts to file their audited financial statements for fiscal years 2021-22 and 2022-23 were not extended.

The following tables contain data extracted from general fund financial statements prepared by the District's current independent auditor, Nigro & Nigro, PC, A Professional Accountancy Corporation ("Nigro"), Murrieta, California, for fiscal years 2018-19 through 2022-23. Nigro has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The following tables are only a summary of the general fund financial statements of the District for the fiscal years shown. The District's audited financial statements for the fiscal year ended June 30, 2023 are described throughout this Appendix A and are included as Appendix B to this Official Statement. The complete audited financial statements of the District, including the notes to the audited financial statements, are an integral part of this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2018-19 through 2022-23.

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HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2018-19 through 2022-23[1]

	Fiscal Year 2018-19	Fiscal Year 2019-20[2]	Fiscal Year 2020-21	Fiscal Year 2021-22[2]	Fiscal Year 2022-23[2]
REVENUES					
LCFF sources	$3,976,467	$3,952,407	$4,091,788	$3,962,516	$4,378,646
Federal sources	104,179	110,463	337,249	391,505	102,851
Other state sources	413,864	272,376	403,147	626,086	992,951
Other local sources	253,400	303,380	193,425	247,547	220,721
Total Revenues	$4,747,910	$4,638,626	$5,025,609	$5,227,654	$5,695,169
EXPENDITURES					
Current:					
Instruction	3,197,438	3,531,176	3,472,684	3,860,775	4,147,587
Instruction-related services:					
Supervision of instruction	44,542	38,582	49,075	2,239	2,400
Instructional library, media and technology	1,721	735	0	0	0
School site administration	302,059	293,431	387,146	334,463	374,021
Pupil support services:					
Home-to-school transportation	188,967	182,664	168,854	196,683	250,538
Food services	500	642	610	1,053	20,725
All other pupil services	1,605	60,965	11,771	53,777	188,237
General administration services:					
Data processing services	3,040	1,395	4,835	3,325	3,561
Other general administration	376,057	385,915	436,040	418,902	434,442
Plant services	293,958	265,533	276,948	468,671	380,946
Capital outlay	1,380	9,613	102,359	8,080	62,924
Debt service:					
Principal	-	-	3,078	18,488	3,078
Interest	-	-	-	-	-
Total Expenditures	4,411,267	4,770,651	4,910,322	5,351,046	5,883,869
Excess of Revenues Over (Under) Expenditures	336,643	(132,025)	115,287	(123,392)	(188,700)
OTHER FINANCING SOURCES (USES)					
Interfund transfer in	-	-	-	-	614
Interfund transfers out[3]	(60,000)	(127,000)	(95,000)	(69,284)	(1,175,672)
Proceeds from leases	-	-	-	97,446	-
Total Other Financing Sources and Uses	(60,000)	(127,000)	(95,000)	28,162	(1,175,058)
Net Change in Fund Balances	276,643	(259,025)	20,287	(95,230)	(1,363,758)
Fund Balances, July 1	4,956,406	5,233,049	4,974,024	4,994,311	4,899,081
Fund Balances, June 30	$5,233,049	$4,974,024	$4,994,311	$4,899,081	$3,535,323

(1) Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 54, the District's audited financial statements include the financial activity of the special reserve fund for other than capital outlay projects (Fund 17) and the special reserve fund for postemployment benefits (Fund 20) with the District's general fund.
(2) The District incurred operating deficits in fiscal year 2019-20 due to increased expenses relating to the COVID-19 pandemic and increases in salary and benefits expenses and in fiscal years 2021-22 and 2022-23 due to inflation of construction costs, loss in enrollment and increase in salaries and benefits.
(3) The District makes periodic transfers out of its general fund to its cafeteria fund (Fund 13).
Source: Harmony Union School District Audited Financial Statements for fiscal years 2018-19 through 2022-23.

The following table sets forth the general fund balance sheet of the District for fiscal years 2018-19 through 2022-23.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2018-19 through 2022-23

	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23
ASSETS					
Deposits and investments	$5,401,446	$4,888,575	$4,190,142	$5,012,980	$2,234,282
Accounts Receivable	150,386	505,538	1,352,439	446,210	322,266
Due From Other Funds	24,836	-	24,284	50,000	2,050,000
Prepaid expenditures	-	-	15,111	12,041	23,723
Total Assets	$5,576,668	$5,394,113	$5,581,976	$5,521,231	$4,630,271
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$335,418	$420,089	$587,665	$622,150	$507,153
Due to other funds	-	-	-	-	567,474
Unearned Revenue	8,201	-	-	-	20,321
Total Liabilities	343,619	420,089	587,665	622,150	1,094,948
Fund Balances					
Nonspendable	500	500	15,611	12,541	24,223
Restricted	200,284	203,682	196,036	280,685	239,438
Committed	-	3,746,209	3,747,064	3,707,455	2,581,138
Assigned	852,261	-	-	-	-
Unassigned	4,180,004	1,023,633	1,035,600	898,400	690,524
Total Fund Balances	5,233,049	4,974,024	4,994,311	4,899,081	3,535,323
Total Liabilities and Fund Balances	$5,576,668	$5,394,113	$5,581,976	$5,521,231	$4,630,271

Source: Harmony Union School District Audited Financial Statements for fiscal years 2018-19 through 2022-23.

District Budget Process and County Review

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

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

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

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

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

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

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

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

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

District's Fiscal Year 2024-25 Budget. [The Fiscal Year 2024-25 Budget, which was adopted by the Board of Trustees on June [__], 2024, is included in the table that follows. The Fiscal Year 2024-25 Budget reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2024-25 State budget. The Fiscal Year 2024-25 Budget does not contain historical facts but consist of forecasts and "forward-looking statements." The achievement of certain results or other expectations contained in the Fiscal Year 2024-25 Budget involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2024-25 Budget are expressly qualified in their entirety by the foregoing and the other cautionary statements. The Fiscal Year 2024-25 Budget may be revised throughout fiscal year 2024-25 as additional information becomes available.

Fiscal Year 2023-24 Estimated Actuals. The District revises its projections of revenues, expenditures, and ending fund balances contained in the Fiscal Year 2024-25 Budget as more financial data becomes available throughout the fiscal year. Accordingly, the Fiscal Year 2023-24 Estimated Actuals reflect actual financial data through May 31, 2024 and projections for the remainder of fiscal year 2023-24 based on such data. The Fiscal Year 2023-24 Estimated Actuals, which were presented to the Board of Trustees in connection with the adoption of the Fiscal Year 2024-25 Budget on June [__], 2024, are included in the table that follows and described throughout the section entitled "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION." The achievement of certain results or other expectations contained in the Fiscal Year 2023-24 Estimated Actuals involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described therein to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements contained in the Fiscal Year 2022-23 Estimated Actuals are expressly qualified in their entirety by the foregoing and the other cautionary statements.

The table on the following page sets forth the District's original adopted general fund budgets for fiscal years 2021-22 through 2024-25, unaudited actuals for fiscal years 2021-22 and 2022-23, and the Fiscal Year 2023-24 Estimated Actuals.

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HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Fund Budgets for Fiscal Years 2021-22 through 2024-25,
Unaudited Actuals for Fiscal Years 2021-22 and 2022-23
and Estimated Actuals for Fiscal Year 2023-24[1]

[Table to be updated with 2023-24 Estimated Actuals and 2024-25 Original Budget info when available.]

	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Estimated Actuals[2]	2024-25 Original Budget
REVENUES							
LCFF Sources	$4,137,224.00	$3,962,516.04	$4,114,335.00	$4,378,646.46	$4,701,957.00		
Federal Revenue	296,064.00	391,505.00	88,500.00	102,851.00	263,311.00		
Other State Revenue	298,860.00	626,086.22	766,914.00	1,031,342.70	538,652.00		
Other Local Revenue	132,405.00	240,025.54	179,016.00	232,038.24	238,979.00		
Total Revenues	4,864,553.00	5,220,132.80	5,148,765.00	5,744,878.40	5,742,899.00		
EXPENDITURES							
Certificated Salaries	1,701,481.42	1,752,385.18	1,690,411.00	1,982,919.23	2,206,035.00		
Classified Salaries	825,978.86	1,011,287.85	928,329.41	1,192,725.21	978,185.00		
Employee Benefits	1,381,345.13	1,415,550.51	1,557,140.13	1,528,511.57	1,518,540.00		
Books and Supplies	103,200.00	211,592.63	165,460.00	219,799.77	209,725.00		
Services, Other Operating Expenses	748,364.00	854,704.35	778,367.00	896,989.51	840,308.00		
Capital Outlay	10,500.00	8,079.60	10,500.00	62,924.36	10,500.00		
Other Outgo (excluding Transfers of Indirect Costs)	-	-	-	-	-		
Other Outgo – Transfers of Indirect Costs	-	-	-	-	-		
Total Expenditures	4,770,869.41	5,253,600.12	5,130,207.54	5,883,869.65	5,763,293.00		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	93,683.59	(33,467.32)	18,557.46	(138,991.25)	(20,394.00)		
OTHER FINANCING SOURCES (USES)							
Inter-fund Transfers In[3]	1,747,130.00	1,873,907.52	1,745,000.00	1,768,245.30	1,555,292.73		
Inter-fund Transfers Out[4]	(1,815,000.00)	(1,896,061.52)	(1,825,000.00)	(2,378,303.13)	(1,615,292.73)		
Total, Other Financing Sources (Uses)	(67,870.00)	(22,154.00)	(80,000.00)	(610,057.83)	(60,000.00)		
NET INCREASE (DECREASE) IN FUND BALANCE	25,813.59	(55,621.32)	(61,442.54)	(749,049.08)	(80,394.00)		
BEGINNING BALANCE, as of July 1	3,770,783.57	3,642,787.04	3,384,077.67	3,591,625.72	3,620,398.91		
Audit Adjustments	-	4,460.00	-	-	-		
As of July 1 – Audited	3,770,783.57	3,647,247.04	3,384,077.67	3,591,625.72	3,620,398.91		
Other Restatements	-	-	-	-	-		
Adjusted Beginning Balance	3,770,783.57	3,647,247.04	3,384,077.67	3,591,625.72	3,620,398.91		
ENDING BALANCE	$3,796,597.16	$3,591,625.72	$3,322,635.13	$2,842,576.64	$3,540,004.91		

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
General Fund Budgets for Fiscal Years 2021-22 through 2024-25,
Unaudited Actuals for Fiscal Years 2021-22 and 2022-23
and Estimated Actuals for Fiscal Year 2023-24[1]
(Continued)

	2021-22 Original Budget	2021-22 Unaudited Actuals	2022-23 Original Budget	2022-23 Unaudited Actuals	2023-24 Original Budget	2023-24 Estimated Actuals[2]	2024-25 Original Budget
FUND BALANCE							
Nonspendable	$4,749.00	$12,540.89	-	$23,722.77	$500.00		
Restricted	401,069.56	280,684.86	$332,775.12	277,830.20	99,261.47		
Committed	2,400,000.00	-	-	1,850,000.00	2,400,000.00		
Assigned	731,536.57	-	-	-	-		
Reserved for Economic Uncertainties	147,793.00	-	-	294,193.00	288,203.00		
Unassigned/Unappropriated	111,449.03	3,298,399.97	2,989,860.01	396,330.67	752,040.44		
	$3,796,597.16	$3,591,625.72	$3,322,635.13	$2,842,576.64	$3,540,004.91		

(1) Pursuant to GASB Statement No. 54, the District's audited financial statements reflect the unrestricted and restricted general fund, as well as certain special reserve funds, but the District's unaudited actuals, adopted budgets, and interim reports reflect only the unrestricted and restricted general fund without the inclusion of certain special reserve funds.
(2) Figures are projections.
(3) The District makes periodic transfers into its general fund from its Postemployment Benefits fund (Fund 20) where its retiree benefit expenditures are accounted for. ***[District to provide.]***
(4) The District makes periodic transfers out of its general fund to its Cafeteria fund (Fund 13).
Source: Harmony Union School District original adopted general fund budgets for fiscal years 2021-22 through 2024-25; unaudited actuals for fiscal years 2021-22 and 2022-23; and Fiscal Year 2023-24 Estimated Actuals.

District Debt Structure

Long-Term Debt Summary. Changes in the District's long-term obligations for the fiscal year ended June 30, 2023, consisted of the following:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General Obligation Bonds(1)	$9,055,000	-	$235,000	$8,820,000	$25,000
Unamortized issuance premium	666,502	-	24,143	642,359	24,143
Total – Bonds	9,721,502	-	259,143	9,462,359	49,143
Settlement agreement	45,000	-	15,000	30,000	15,000
Leases	94,368	-	18,488	75,880	18,526
Total Long-Term Liabilities	$9,860,870	-	$292,631	$9,568,239	$82,669

(1) Does not reflect the issuance of the Series 2024 Bonds.
Source: Harmony Union School District Audited Financial Statements for fiscal year 2022-23.

General Obligation Bonds. Prior to the issuance of the Series 2024 Bonds, the District has outstanding three series of general obligation bonds, each of which is secured by *ad valorem* property taxes levied upon all property subject to taxation by the District on a parity with the Series 2024 Bonds.

See "THE SERIES 2024 BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds. See also Note 7 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

Settlement Agreement. On July 15, 2020, the District entered into a settlement agreement with a former employee whereby the District agreed to pay five annual payments of $15,000 each distributed in July of each year for a total of $75,000 starting in July 2020. Future obligations under this settlement agreement are as follows:

Year Ending June 30,	Payment
2023-24	15,000
	$15,000

Source: Harmony Union School District Audited Financial Statements for fiscal year 2022-23.

Lease Liability. The District is involved in a lease for copier equipment. The initial term of the lease is 62 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commence of the lease term. The lease contained no stated interest rate and therefore the state incremental borrowing rate of 0.02% was used.

Fiscal Year	Principal	Interest	Total
2023-24	$18,526	$132	$18,658
2024-25	18,563	95	18,658
2025-26	18,600	57	18,657
2026-27	18,637	20	18,657
2027-28	1,554	-	1,554
Total Debt Service	$75,880	$304	$76,184

Source: Harmony Union School District Audited Financial Statements for fiscal year 2022-23.

For other key assumptions and policies and the related assets disclosures, see Notes 1E and 6, respectively, to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

Tax and Revenue Anticipation Notes. The District did not issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal years 2022-23 and 2023-24. The District does not currently plan to issue TRANS in fiscal year 2024-25. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Other Post-Employment Benefits (OPEBs).

In addition to the retirement plan benefits with California State Teachers' Retirement System ("CalSTRS") and California Public Employees' Retirement System ("CalPERS"), the District provides other post-retirement healthcare benefits ("OPEB") under two different plans: (1) the District's single-employer defined benefit OPEB plan (the "District Plan") and (2) the cost-sharing multiple-employer OPEB plan administered by CalSTRS through the Teachers' Health Benefit Fund (the "MPP Plan"). For fiscal year 2022-23, the District reported the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the District Plan and MPP Plan as follows:

Pension Plan	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$292,404	$28,929	$504,740	$(18,152)
MPP Plan	15,565	-	-	(2,707)
Total	$307,969	$28,929	$504,740	$(20,859)

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

Under the District Plan, the postretirement health plans and the District's obligation vary by employee group. Certificated employees may retire and receive District-paid contributions towards healthcare upon attainment of age 55 and completion of 10 years or more District service. The District pays up to a cap equivalent to the Kaiser single high rate, plus composite dental premium. For unit members hired before the 1997-1998 school year, benefits are paid until age 65, at which time benefits cease. For unit members hired on or after the 1997-1998 school year, benefits are paid for a maximum of five years or until 65 (whichever occurs first), at which time benefits cease. The District does not contribute vision or life benefits. At June 30, 2023, there were zero inactive employees or beneficiaries currently receiving benefits under the District Plan, and 15 active employees eligible to receive benefits under the District Plan.

Total Compensation Systems, Inc. has prepared an actuarial valuation for the District Plan, as of the June 30, 2022, valuation date (the "Actuarial Report"). The total OPEB liability in the Actuarial Report was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.75%
Healthcare Cost Trend Rates	4.00% per year
Retirees' Share of Benefit-Related Costs	Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 37.3% of non-Medicare medical
Discount Rate	3.65%

The following table sets forth the changes in the total OPEB liability, District Plan fiduciary net position, and net OPEB liability for fiscal year 2022-23:

	Total OPEB Liability	District Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2022	$262,141	$0	$262,141
Service cost	$23,775	0	$9,701
Interest on Total OPEB Liability	9,701	0	0
Expected Investment Income	0	0	0
Administrative Expenses	0	0	0
Employee Contributions	0	0	0
Employer Contributions to Trust	0	0	0
Employer Contributions as Benefit Payments	0	0	0
Actual Benefit Payments from Trust	0	0	0
Actual Benefit Payments from Employer	0	0	0
Expected Minus Actual Benefit Payments(1)	0	0	0
Expected Balance at June 30, 2020	$295,617	0	$285,617
Experience Gains/Losses	0	0	0
Changes in Assumptions	(3,213)	0	(3,213)
Changes in Benefit Terms	0	0	0
Investment Gains/Losses	0	0	0
Other	0	0	0
Net change during 2023	$30,263	0	$30,263
Actual Balance at June 30, 2023(2)	$292,404	$0	$292,404

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

MPP Plan. The MPP Plan is established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), and CalSTRS administers the MPP Plan through the Teachers' Health Benefit Fund ("THBF"). A full description of the MPP Plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: **http://www.calstrs.com/general-information/gasb-6768**. The information referred to at such website is prepared and maintained by CalSTRS and not by the District, and the District can take no responsibility for the continued accuracy of the internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

As of June 30, 2022, 4,770 retirees participated in the MPP Plan. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

At June 30, 2023, the District reported a liability of $15,565 for its proportionate share of the net OPEB liability for the MPP Plan, which was 0.004275%. The total OPEB liability for the MPP Plan as of June 30, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. For fiscal year 2022-23, the District reported an OPEB expense of $(2,707).

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

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2022-23, see Note 8 to the District's financial statements in APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement No. 75"). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long-term care benefits. The objective of Statement No. 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement No. 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement No. 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement No. 75 replaces GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 in its financial statements beginning with fiscal year 2017-18.

Employment

General. As of the preparation of the Fiscal Year 2024-25 Budget, the District employs approximately [_____] full-time equivalent ("FTE") employees, including approximately [_____] FTE certificated (credentialed teaching) staff, approximately [_____] FTE classified (non-teaching) staff, and approximately [_____] FTE management personnel. For fiscal year 2022-23, the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District were approximately $[_____] million and $[_____] million, respectively. As of the Fiscal Year 2023-24 Estimated Actuals, the District estimates that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately $[_____] million and $[_____] million, respectively, in fiscal year 2023-24. As of the Fiscal Year 2024-25 Budget, the District budgets that the total certificated and classified salaries (including management personnel who are either counted as certificated or classified) paid from all applicable funds of the District will be approximately $[_____] million and $[_____] million, respectively, in fiscal year 2024-25. These employees, excluding management, confidential and supervisory employees, and substitute and pre-school teachers, are represented by the Harmony Union Teachers' Association ("HUTA") and California School Employees Association ("CSEA") as described in more detail below. ***[District to provide updates.]***

HUTA. [HUTA represents approximately 18.15 FTE certificated (credentialed teaching) employees in the District. The District and HUTA entered into a multi-year contract effective July 1, 2022 that expires on June 30, 2024 and provides for the ability to reopen and renegotiate certain terms of the contract each year. It is the intention of the District and HUTA to bring the 2024-25 Settlement to the Board of Trustees of the District in June 2024.]

CSEA. [CSEA represents approximately 19.73 FTE classified employees in the District. The District and CSEA entered into a multi-year contract effective July 1, 2022 that expires on June 30, 2024. The District is negotiating a new multi-year contract with CSEA for fiscal year 2024-25 through 2026-27 and anticipates completing negotiations with CSEA by June 1, 2024.]

Retirement Benefits

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

CalSTRS. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Assembly Bill 1469, signed into law by former Governor Brown as part of the fiscal year 2014-15 State budget, increased employee, employer and State contributions to CalSTRS as part of a plan to eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations and subject to certain limitations. The State Teachers' Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers' Retirement Board may also adjust the State's contribution rate by a maximum of 0.50% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate by June 30, 2046, CalSTRS' unfunded liability for service credited to members of the CalSTRS defined benefit program before July 1, 2014, based upon actuarial recommendations. The District cannot predict the impact of State, national, and international events on investment earnings and contribution rates or the amount the District will be required to pay for pension related costs in future fiscal years.

The employer contribution rate for fiscal year 2021-22 was 16.92%, which reflects a 2.18% reduction from the statutorily prescribed rate as a result of the State redirecting certain State supplemental pension payments to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. For fiscal year 2022-23, the employer contribution rate was approximately 19.10% of covered payroll and is approximately 18.48% for fiscal year 2023-24. The employer contribution rate is inclusive of the employer base contribution of 8.25% of payroll provided by the California Education Code. The State's total contribution was increased from approximately 6.83% of payroll in fiscal year 2017-18 to 10.83% of payroll in fiscal year 2021-22. The State's contribution rate was approximately 10.83% of payroll for fiscal year 2022-23, and is 10.33% for fiscal year 2023-24. The State's contribution includes an annual payment of 2.50% of payroll pursuant to a supplemental inflation protection program. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 60 members) was 10.25% for fiscal years 2016-17 through 2022-23 and remains at 10.25% for fiscal year 2023-24. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (i.e., CalSTRS 2% at 62 members) was approximately 9.21% for fiscal years 2016-17 and 2017-18, approximately 10.21% for fiscal years 2018-19 through 2022-23 and remains at approximately 10.21% for fiscal year 2023-24.

The following table sets forth the District's employer contributions from all applicable funds of the District to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2020-21 through 2022-23, the estimated contributions for fiscal year 2023-24, and the budgeted contributions fo0r fiscal year 2024-25.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Contributions to CalSTRS for Fiscal Years 2020-21 through 2023-24

Fiscal Year	District Contribution	State On-Behalf Contribution
2020-21	$269,391	$183,354
2021-22	308,406	195,997
2022-23	367,818	175,750
2023-24[1]	[412,587]	183,916
2024-25[2]	[375,555]	189,762

[1] Fiscal Year 2023-24 Estimated Actuals.
[2] Fiscal Year 2024-25 Budget.
Source: Harmony Union School District.

The District's total employer contributions to CalSTRS for fiscal years 2020-21 through 2022-23 were equal to 100% of the required contributions for each year.

The actuarial valuation for the entire CalSTRS defined benefit program as of June 30, 2022 (the "2022 CalSTRS Actuarial Valuation") showed an estimated unfunded actuarial liability of $88.55 billion, a decrease of approximately $1.17 billion from the June 30, 2021 valuation. Such estimated unfunded actuarial liability was projected to increase in the June 30, 2021 valuation, which projected an unfunded actuarial liability of $89.80 billion as of June 30, 2022. The actual unfunded actuarial liability as of June 30, 2022 represents a net actuarial gain of approximately $1.25 billion. Such net actuarial gain is due primarily to member salary increases being more than assumed and market value returns (estimated at negative 2.40%) being less than assumed (7.00%). The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2022 and June 30, 2021, based on the actuarial assumptions, were approximately 74.40% and 73.00%, respectively. According to the 2022 CalSTRS Actuarial Valuation, the funded ratio increased by 1.40% during the past year. As described in the 2022 CalSTRS Actuarial Valuation, the increase in the funded ratio is primarily due to the recognition of deferred investment gains from prior fiscal years that were used to offset the reported negative 2.40% return on investments on the market value of assets for fiscal year 2021-22, which is CalSTRS' first negative return on investments since fiscal year 2008-09. Other factors contributing to such increase include the additional State contributions made in the prior fiscal years and contributions to pay down the unfunded actuarial liability under the State Teachers' Retirement Board's valuation policy. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates or the amount the District will be required to pay for pension related costs. Accordingly, there can be no assurances that the District's required contributions to CalSTRS will not increase in the future, subject to the limitations of AB 1469.

The following are certain of the actuarial assumptions set forth in the 2022 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The 2022 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "− Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in September 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

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

See also Note 9A to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023," for a discussion of the District's proportionate share of the CalSTRS net pension liability of $2,187,655 as of June 20, 2023.

CalPERS. All qualifying classified employees of K-14 school districts in the State are members in CalPERS. All K-14 school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. K-14 school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. K-14 school districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in K-14 school district contributions. The District cannot make any predictions as to the effect of State, national or international events on investment earnings and K-14 school district contributions. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2021-22, which increased to 8.00% in fiscal year 2022-23 and remains at 8.00% for fiscal year 2023-24. K-14 school districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.06% of eligible salary expenditures for fiscal year 2018-19 and originally 20.73% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.72% as a result of the State's buydown of employer contribution rates in fiscal year 2019-20. Similarly, the fiscal year 2020-21 State budget allocated funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.91%, respectively. The actuarially determined rate for employer contributions was 25.37% for fiscal year 2022-23 and is 26.68% for fiscal year 2023-24.

The following table sets forth the District's total employer contributions from all applicable funds of the District to CalPERS for fiscal years 2020-21 through 2022-23, the estimated contribution for fiscal year 2023-24, and the budgeted contribution for fiscal year 2024-25.

HARMONY UNION SCHOOL DISTRICT
(Sonoma County, California)
Contributions to CalPERS for Fiscal Years 2020-21 through 2024-25

Fiscal Year	District Contribution
2020-21	$156,409
2021-22	212,755
2022-23	247,114
2023-24[1]	[258,850]
2024-25[2]	[318,145]

(1) Fiscal Year 2023-24 Estimated Actuals.
(2) Fiscal Year 2024-25 Budget.
Source: Harmony Union School District.

The District's total employer contributions to CalPERS for fiscal years 2020-21 through 2022-23 were equal to 100% of the required contributions for each year.

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2022 (the "2022 CalPERS Schools Pool Actuarial Valuation"), was released in September 2023, and such valuation reported an actuarial accrued liability of approximately $116.98 billion with the market value of assets at approximately $79.39 billion, and a funded status of approximately 67.90%. From June 30, 2021 to June 30, 2022, the funded status of the CalPERS Schools Pool decreased by approximately 10.40%, and the unfunded accrued liability increased by approximately $13.61 billion, largely due to the difference between the expected and actual rate of return on investments.

CalPERS reported a negative 6.10% net return on investments for fiscal year 2021-22, which is CalPERS' first negative return on investments since fiscal year 2008-09. The negative 6.10% net return on investments was less than the assumed annual rate of return on investments of 6.80%. Such negative return generated an actuarial investment loss of approximately $12.40 billion, which will be amortized over 20 years with a five-year phase in, increasing the component of the expected employer contribution rate related to the unfunded liability contribution in fiscal year 2023-24 by 1.69% of payroll. The 2022 CalPERS

Schools Pool Actuarial Valuation reports that the employer contribution rates for fiscal years 2024-25, 2025-26, 2026-27, 2027-28 and 2028-29 are projected to be 27.80%, 28.50%, 28.90%, 30.30% and 30.10%, respectively. Such projections assume that all actuarial assumptions will be realized, including net investment returns in such fiscal years of 6.80%, and that no further changes to assumptions, contributions, benefits or funding will occur during such fiscal years. Persistent negative returns on investments may result in increased employer contribution rates above the current level of expected increases reflected in the 2022 CalPERS Schools Pool Actuarial Valuation. The District cannot predict the impact of State, national, and international events on investment returns and employer contribution rates. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future.

The 2022 CalPERS Schools Pool Actuarial Valuation as summarized assumes, among other things, 2.30% price inflation, 2.80% wage inflation and payroll growth of 2.80% compounded annually. The 2022 CalPERS Schools Pool Actuarial Valuation as summarized reflects a discount rate of 6.80% compounded annually (net of administrative expenses) as of June 30, 2022. The CalPERS Board of Administration adopted new demographic assumptions on November 17, 2021, including a reduction in the discount rate from 7.00% as of June 30, 2020 to 6.80% as of June 30, 2021, a reduction in the inflation assumption from 2.50% as of June 30, 2020 to 2.30% as of June 30, 2021, and an increase in payroll growth from 2.75% as of June 30, 2020 to 2.80% as of June 30, 2021. Such assumption changes result in increases in both the normal cost and unfunded liabilities contributions to be paid in the future. The actuarial funding method used in the 2022 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method."

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

See also Note 9B to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023," for a discussion of the District's proportionate share of the CalPERS net pension liability of $2,083,788 as of June 30, 2023.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Notes 9A and 9B to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $160,200 for 2023, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

Insurance, Risk Pooling and Joint Powers Agreements

The District participates in two joint ventures under joint powers agreements (the "JPAs") to provide self-insurance or transportation programs as follows:

Redwood Empire Schools Insurance Group ("RESIG"). RESIG provides workers' compensation, property and liability coverage, and medical and dental coverage.

West County Transportation Agency for Pupil Transportation ("WCTA"). The District is a member of the West County Transportation Agency ("WCTA"), a joint exercise of powers agency that provides pupil transportation services for member school districts. In April 2017, the WCTA issued its West County Transportation Agency Series 2017 Bonds (Transportation Facilities Project) (the "West County Transportation Agency Bonds"), which are secured in part by payments by the District and 16 other participating local school districts. The District paid its member share of $227,511 in fiscal year 2022-23 and expects to pay its member share of $257,588 in fiscal year 2023-24 as set forth in the following table provided by the District. The District's payments to the WCTA are paid from the District's general fund. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2024 BONDS – Direct and Overlapping Debt" in the front portion of the Official Statement for more information.

WCTA Costs	Fiscal Year 2022-23	Fiscal Year 2023-24
Home to School Transportation – Excess Cost Transfer	$185,623	$249,440
Special Education Transportation	30,946	39,104
Facility Lease Payment – Home to School[1]	8,148	8,148
Facility Lease Payment – Special Education[1]	2,793	2,793
Total Costs	$227,510	$299,485

(1) Payments related to the West County Transportation Agency Bonds are included in the facility lease payments. Assuming no early redemptions, the West County Transportation Agency Bonds mature in 2047.
Source: Harmony Union School District.

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 arrange for and/or provide coverage for their members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

See Note 10 to the District's audited financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

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

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

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

Proposition 30 and Proposition 55

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

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Proposition 98 Rainy Day Fund, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Proposition 98 Rainy Day Fund is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of less than 30,000 (but greater than 1,001), is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. For more information on the District's reserves, current projections with respect to such reserves, and related policies, see "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – *School District Reserves*."

The Series 2024 Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2024 Bonds as and when due.

Future Initiatives

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

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the issuance and delivery of the Series 2024 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2024 Bonds in substantially the following form:

4144-3157-2559.2

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

SONOMA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT

The following information has been supplied by the County of Sonoma (the "County") Office of the Auditor-Controller-Treasurer-Tax Collector. Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information. Further information may be obtained directly from the Auditor-Controller-Treasurer, Tax Collection, County of Sonoma, 585 Fiscal Drive, Room 100, Santa Rosa, CA 95403.

The District and the Underwriter have not made an independent investigation of the investments in the County Investment Pool (the "Investment Pool") or an assessment of the current Statement of Investment Policy (the "Investment Policy"). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2024 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2024 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2024 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com, which is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant

through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

11. The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.