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

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 A 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 Series A Bonds is not a specific preference item for purposes of the federal 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 A Bonds. See "TAX MATTERS" herein.

$2,000,000
CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(Bank Qualified)

Dated: Date of Delivery **Due: August 1, 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 Cutten School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series A (the "Series A Bonds") are issued by the Cutten School District (the "District"), located in the County of Humboldt (the "County"), to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) to pay costs of delivery with respect to the Series A Bonds. The Series A Bonds were authorized at an election of the voters of the District held on November 6, 2018, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $4,000,000 aggregate principal amount of bonds of the District. The Series A Bonds are being issued 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 December 10, 2018.

The Series A Bonds are payable from *ad valorem* 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 A Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES A BONDS" herein.

The Series A Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series A Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. Principal of the Series A Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series A Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The Series A 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 A Bonds. Individual purchases of the Series A Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series A Bonds purchased by them. See "THE SERIES A BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series A Bonds will be made by Treasurer-Tax Collector of the County, as paying agent, registrar and transfer agent with respect to the Series A Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series A Bonds. See "THE SERIES A BONDS – Payment of Principal and Interest" herein.

The Series A Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES A BONDS — Redemption" herein.

The Series A 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 its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Series A Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about January 29, 2019.

D|A DAVIDSON
D.A. Davidson & Co. member SIPC

Dated January 15, 2019.

MATURITY SCHEDULE
BASE CUSIP†: 23222F

$2,000,000
CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(Bank Qualified)

$285,000 Serial Series A Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2020	$ 90,000	3.000%	1.650%	AA8
2021	50,000	3.000	1.680	AB6
2027	15,000	5.000	2.150[C]	AD2
2028	15,000	5.000	2.250[C]	AE0
2029	20,000	5.000	2.360[C]	AF7
2030	25,000	5.000	2.460[C]	AG5
2031	30,000	5.000	2.540[C]	AH3
2032	40,000	5.000	2.670[C]	AJ9

$20,000 2.000% Term Series A Bonds due August 1, 2026 – Yield 2.070% - CUSIP Number† AC4

$150,000 3.250% Term Series A Bonds due August 1, 2035 – Yield 3.340% - CUSIP Number† AK6

$205,000 3.375% Term Series A Bonds due August 1, 2038 – Yield 3.530% - CUSIP Number† AL4

$280,000 3.500% Term Series A Bonds due August 1, 2041 – Yield 3.650% - CUSIP Number† AM2

$235,000 5.000% Term Series A Bonds due August 1, 2043 – Yield 3.260%[C] - CUSIP Number† AN0

$285,000 5.000% Term Series A Bonds due August 1, 2045 – Yield 3.320%[C] - CUSIP Number† AP5

$540,000 5.000% Term Series A Bonds due August 1, 2048 – Yield 3.370%[C] - CUSIP Number† AQ3

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[C] Yield to call at par on August 1, 2026.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)

DISTRICT ADMINISTRATORS

Sue Ivey, *Superintendent*
Jeannemarie Baker, *Business Manager*

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

County of Humboldt Treasurer-Tax Collector
Eureka, California

This Official Statement does not constitute an offering of any security other than the original offering of the Series A 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 A 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 A 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 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 A 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 A Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series A Bonds at levels above that which 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 A 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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(continued)

$2,000,000
CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(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 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 A Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $2,000,000 aggregate principal amount of Cutten School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series A (the "Series A Bonds"), all as indicated on the inside front cover hereof, to be offered by the Cutten 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 purpose of this Official Statement is to supply information to prospective buyers of the Series A Bonds. Quotations from and summaries and explanations of the Series A Bonds, the resolution of the Board of Trustees of the District relating to the Series A 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 A Bonds.

Copies of documents referred to herein and information concerning the Series A Bonds are available from the District by contacting: Cutten School District, 4182 Walnut Drive, Eureka, California 95503, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was founded in 1891. The District is located in the central western portion in Humboldt County, California (the "County") and serves the unincorporated area of the County known as Cutten.

The District covers approximately 11.5 square miles with a fiscal year 2018-19 projected enrollment of 610. The District currently operates two elementary schools; Cutten Elementary School serves third through sixth grades, and Ridgewood School serves kindergarten through second grades. Total assessed valuation of taxable property in the District in fiscal year 2018-19 is $458,858,257. The District operates under the jurisdiction of the Humboldt County Superintendent of Schools.

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, 2018."

THE SERIES A BONDS

Authority for Issuance; Purpose

The Series A Bonds are issued under the provisions of California Government Code Section 53506 *et seq.,* including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on December 10, 2018 (the "Resolution").

At an election held on November 6, 2018, the District received authorization under Measure L to issue general obligation bonds of the District in an aggregate principal amount not to exceed $4,000,000 to modernize/upgrade classrooms, restrooms and school facilities, repair/replace leaky roofs, and increase student access to computers/modern technology that improves the quality of education (collectively, the "2018 Authorization"). Measure L required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 68.62%. The Series A Bonds represent the first series of authorized bonds to be issued under the 2018 Authorization and will be issued to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) to pay costs of delivery with respect to the Series A Bonds. See "*−Application and Investment of Series A Bond Proceeds*" herein.

Form and Registration

The Series A Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series A 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 A Bonds. Purchases of Series A Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series A 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 A Bonds, beneficial owners of the Series A 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 A 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, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2019, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series A Bond will bear interest from the Interest Payment Date 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 (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series A Bond, interest is in default on any outstanding Series A Bonds, such Series A 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 A Bonds.

Payment of Series A Bonds. The principal of and interest on the Series A Bonds is payable in lawful money of the United States of America upon the surrender thereof at the office of the Treasurer-Tax Collector of the County, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series A Bonds is payable in lawful money of the United States of America by check mailed on each 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 registered owner thereof (the "Owner") 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 shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series A Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series A Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F − "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series A Bonds maturing on or before August 1, 2026, are not subject to optional redemption prior to their respective stated maturity dates. The Series A Bonds maturing on or after August 1, 2027, 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, 2026, at a redemption price equal to the principal amount of the Series A Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $20,000 term Series A Bonds maturing on August 1, 2026 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
2024	$5,000
2025	5,000
2026[†]	10,000

[†] Maturity.

The principal amount of the $20,000 term Series A Bonds maturing on August 1, 2026, 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 A Bonds maturing on August 1, 2026 optionally redeemed prior to the mandatory sinking fund redemption date.

The $150,000 term Series A Bonds maturing on August 1, 2035 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
2033	$45,000
2034	50,000
2035†	55,000

† Maturity.

The principal amount of the $150,000 term Series A Bonds maturing on August 1, 2035, 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 A Bonds maturing on August 1, 2035 optionally redeemed prior to the mandatory sinking fund redemption date.

The $205,000 term Series A Bonds maturing on August 1, 2038 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
2036	$60,000
2037	70,000
2038†	75,000

† Maturity.

The principal amount of the $205,000 term Series A Bonds maturing on August 1, 2038, 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 A Bonds maturing on August 1, 2038 optionally redeemed prior to the mandatory sinking fund redemption date.

The $280,000 term Series A Bonds maturing on August 1, 2041 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
2039	$ 85,000
2040	95,000
2041†	100,000

† Maturity.

The principal amount of the $280,000 term Series A Bonds maturing on August 1, 2041, 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 A Bonds maturing on August 1, 2041 optionally redeemed prior to the mandatory sinking fund redemption date.

The $235,000 term Series A Bonds maturing on August 1, 2043 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
2042	$110,000
2043†	125,000

† Maturity.

The principal amount of the $235,000 term Series A Bonds maturing on August 1, 2043, 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 A Bonds maturing on August 1, 2043 optionally redeemed prior to the mandatory sinking fund redemption date.

The $285,000 term Series A Bonds maturing on August 1, 2045 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
2044	$135,000
2045†	150,000

† Maturity.

The principal amount of the $285,000 term Series A Bonds maturing on August 1, 2045, 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 A Bonds maturing on August 1, 2045 optionally redeemed prior to the mandatory sinking fund redemption date.

The $540,000 term Series A Bonds maturing on August 1, 2048 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
2046	$165,000
2047	180,000
2048†	195,000

† Maturity.

The principal amount of the $540,000 term Series A Bonds maturing on August 1, 2048, 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 A Bonds maturing on August 1, 2048 optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series A Bonds for Redemption. If less than all of the Series A Bonds are called for redemption, the Series A Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series A Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series A 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 A Bond shall be deemed to consist of individual Series A Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series A Bond will be given by the Paying Agent 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 A Bonds. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series A Bonds and the date of issue of the Series A Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series A Bonds to be redeemed; (vi) if less than all of the Series A Bonds of any maturity are to be redeemed the distinctive numbers of the Series A Bonds of each maturity to be redeemed; (vii) in the case of Series A Bonds redeemed in part only, the respective portions of the principal amount of the Series A Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series A Bonds to be redeemed; (ix) a statement that such Series A 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 A 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. The actual receipt by the Owner of any Series A Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series A Bonds 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 A Bonds called for redemption is set aside, the Series A Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series A Bonds at the place specified in the notice of redemption, such Series A Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series A Bonds so called for redemption after such redemption date shall look for the payment of such Series A Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the “Interest and Sinking Fund”) or the trust fund established for such purpose. All Series A Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not 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 A Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District 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 A Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series A Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series A Bonds

The District may pay and discharge any or all of the Series A Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America 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 moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series A Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund 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 A Bonds and remaining unclaimed for two years after the principal of such Series A Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys is required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series A Bond Proceeds

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

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(Bank Qualified)

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series A Bonds	$2,000,000.00
Plus Net Original Issue Premium	132,325.90
Total Sources of Funds	$2,132,325.90
Uses of Funds:	
Deposit to Building Fund	$1,855,000.00
Deposit to Interest and Sinking Fund(1)	92,325.90
Costs of Issuance(2)	185,000.00
Total Uses of Funds	$2,132,325.90

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

Under California 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 A Bonds less amounts necessary to pay costs of issuance will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series A Bonds were authorized. Any premium or accrued interest on the Series A Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the County Treasurer-Tax Collector (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 and following 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 − "HUMBOLDT COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL" 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 of the District 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 A 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

Debt service on the Series A Bonds, assuming no early redemptions, is as set forth in the following table.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(Bank Qualified)

Year Ending August 1,	Principal	Interest	Total Debt Service
2019	-	$ 43,702.12	$ 43,702.12
2020	$ 90,000.00	86,443.76	176,443.76
2021	50,000.00	83,743.76	133,743.76
2022	-	82,243.76	82,243.76
2023	-	82,243.76	82,243.76
2024	5,000.00	82,243.76	87,243.76
2025	5,000.00	82,143.76	87,143.76
2026	10,000.00	82,043.76	92,043.76
2027	15,000.00	81,843.76	96,843.76
2028	15,000.00	81,093.76	96,093.76
2029	20,000.00	80,343.76	100,343.76
2030	25,000.00	79,343.76	104,343.76
2031	30,000.00	78,093.76	108,093.76
2032	40,000.00	76,593.76	116,593.76
2033	45,000.00	74,593.76	119,593.76
2034	50,000.00	73,131.26	123,131.26
2035	55,000.00	71,506.26	126,506.26
2036	60,000.00	69,718.76	129,718.76
2037	70,000.00	67,693.76	137,693.76
2038	75,000.00	65,331.26	140,331.26
2039	85,000.00	62,800.00	147,800.00
2040	95,000.00	59,825.00	154,825.00
2041	100,000.00	56,500.00	156,500.00
2042	110,000.00	53,000.00	163,000.00
2043	125,000.00	47,500.00	172,500.00
2044	135,000.00	41,250.00	176,250.00
2045	150,000.00	34,500.00	184,500.00
2046	165,000.00	27,000.00	192,000.00
2047	180,000.00	18,750.00	198,750.00
2048	195,000.00	9,750.00	204,750.00
Total:	$2,000,000.00	$1,934,971.06	$3,934,971.06

No Outstanding Bonds

The District does not have any outstanding general obligation bonds aside from the Series A Bonds.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES A BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series A Bonds, the Board of Supervisors of the County 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). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series A Bonds are payable from *ad valorem* 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 A 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.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Series A Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge 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 are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

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 and interest on the bonds when due, as *ex officio* treasurer of the school district.

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2018-19 assessed value of $458,858,257. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State 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 State 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 the 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, 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.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 2009-10 through 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Assessed Valuations
Fiscal Years 2009-10 through 2018-19

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
2009-10	$369,662,651	$0	$10,046,216	$379,708,867
2010-11	375,692,199	0	9,787,475	385,479,674
2011-12	381,535,115	0	9,365,206	390,900,321
2012-13	387,630,606	0	9,568,228	397,198,834
2013-14	393,684,600	0	8,305,271	401,989,871
2014-15	397,493,355	0	8,243,988	405,737,343
2015-16	408,241,890	0	8,425,972	416,667,862
2016-17	420,685,773	0	9,798,226	430,483,999
2017-18	435,379,153	0	9,440,582	444,819,735
2018-19	448,992,367	0	9,865,890	458,858,257

Source: California Municipal Statistics, Inc.

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, 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, 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.

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.

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, in the form prescribed by the State Board of Equalization, 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 State 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 State 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* 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 2018-19 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $5.74 million and its net bonding capacity is the same as the District does not have any debt currently outstanding prior to the issuance of the Series A 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 total assessed value of the property within the District's boundaries for fiscal year 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
Unincorporated Humboldt County	$458,858,257	100.00%	$8,078,103,112	5.68%
Total District	$458,858,257	100.00%		
Humboldt County	$458,858,257	100.00%	$13,478,284,070	3.40%

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 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
2018-19 Assessed Valuation and Parcels by Land Use

	2018-19 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural/Timber	$3,993,629	0.89%	36	1.73%
Commercial/Office	14,018,471	3.12	26	1.25
Vacant Commercial	13,779	0.00	1	0.05
Government/Social/Institutional	224,485	0.05	33	1.59
Subtotal Non-Residential	$18,250,364	4.06%	96	4.62%
Residential:				
Single Family Residence	$379,587,128	84.54%	1,642	79.02%
Mobile Home	2,025,571	0.45	28	1.35
2-4 Residential Units	39,533,279	8.80	167	8.04
5+ Residential Units/Apartments	4,259,689	0.95	10	0.48
Vacant Residential	5,336,336	1.19	135	6.50
Subtotal Residential	$430,742,003	95.94%	1,982	95.38%
TOTAL	$448,992,367	100.00%	2,078	100.00%

(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 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
2018-19 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,642	$379,587,128	$231,174	$215,000

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	14	0.853%	0.853%	$ 287,543	0.076%	0.076%
$25,000 - $49,999	42	2.558	3.410	1,626,261	0.428	0.504
$50,000 - $74,999	89	5.420	8.831	5,649,450	1.488	1.992
$75,000 - $99,999	85	5.177	14.007	7,574,408	1.995	3.988
$100,000 - $124,999	124	7.552	21.559	13,882,110	3.657	7.645
$125,000 - $149,999	131	7.978	29.537	17,997,008	4.741	12.386
$150,000 - $174,999	119	7.247	36.784	19,191,646	5.056	17.442
$175,000 - $199,999	146	8.892	45.676	27,314,860	7.196	24.638
$200,000 - $224,999	119	7.247	52.923	25,300,825	6.665	31.304
$225,000 - $249,999	116	7.065	59.988	27,664,849	7.288	38.592
$250,000 - $274,999	110	6.699	66.687	28,866,438	7.605	46.196
$275,000 - $299,999	106	6.456	73.143	30,487,947	8.032	54.228
$300,000 - $324,999	83	5.055	78.197	25,940,836	6.834	61.062
$325,000 - $349,999	86	5.238	83.435	28,988,515	7.637	68.699
$350,000 - $374,999	63	3.837	87.272	22,754,408	5.995	74.694
$375,000 - $399,999	51	3.106	90.378	19,673,594	5.183	79.876
$400,000 - $424,999	44	2.680	93.057	18,140,116	4.779	84.655
$425,000 - $449,999	24	1.462	94.519	10,471,159	2.759	87.414
$450,000 - $474,999	24	1.462	95.981	11,046,442	2.910	90.324
$475,000 - $499,999	15	0.914	96.894	7,326,478	1.930	92.254
$500,000 and greater	51	3.106	100.000	29,402,235	7.746	100.000
Total	1,642	100.000%		$379,587,128	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	Percent of Total[(1)]
1.	Kim H. & Pyong S. Frye Trust	Assisted Living Facility	$3,121,881	0.70%
2.	Robert J. & Debra J. Frazier Trust	Apartments	2,992,595	0.67
3.	Susan L. & Charles F. Nelson Jr. Trust	Residential	1,956,412	0.44
4.	Cutten Mini Storage LLC	Public Storage	1,856,508	0.41
5.	Perry L. Bressman	Residential	1,691,368	0.38
6.	Nancy & Orland Giannini Jr. Trust	Residential	1,525,517	0.34
7.	Michael D. & Audrey S. Bode	Residential	1,431,165	0.32
8.	Forster-Gill Inc.	Industrial	1,409,855	0.31
9.	Mock Wahlund & Charlene J. Lundblade	Commercial/Office	997,865	0.22
10.	Peter R. & Jennifer J. Johnston	Residential	977,661	0.22
11.	Humboldt Investments LLC Co.	Apartments	961,999	0.21
12.	Redwood Apartments LLC	Apartments	958,962	0.21
13.	Scotty R. & Sharon A. Thomason Trust	Residential	958,022	0.21
14.	Green Diamond Resource Company	Timber	948,634	0.21
15.	Francis G. & Carol J. Scolari Trust	Residential	920,612	0.21
16.	Richard A. & Linda C. Olson Trust	Residential	907,201	0.20
17.	Eric M. & Mitchell C. Finkle	Residential	889,550	0.20
18.	James D. & Judith E. Paye	Residential	878,152	0.20
19.	Patrick J. Murphy Trust	Commercial – Market	869,544	0.19
20.	James P. & Sharon E. Redd Trust	Residential	847,126	0.19
			$27,100,629	6.04%

[(1)] 2018-19 local secured assessed valuation: $448,992,367.
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. 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

The State 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 A 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 A 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), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, 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 A Bonds. Issuance of additional authorized bonds in the future might 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 73-004). This Tax Rate Area comprises approximately 92.18% of the total assessed value of the District for fiscal year 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 73-004)
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Redwoods Community College District	0.01300	0.01000	0.00800	0.00800	0.00800
Eureka Unified School District	0.03300	0.08900	0.08500	0.06200	0.04700
Total Tax Rate	1.04600%	1.09900%	1.09300%	1.07000%	1.05500%

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2018 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2018 Authorization will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series A Bonds, the District projects that the maximum tax rate required to repay the Series A Bonds will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series A Bonds and any other series of bonds issued under the 2018 Authorization in each year.

Tax Charges and Delinquencies

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* taxes for voter-approved indebtedness, including the Series A 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 attaches and a $20 cost is added to unpaid second installments. If taxes remain unpaid after 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

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 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.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Teeter Plan Excludes General Obligation Bonds. For the District's share of the 1% general fund apportionment, 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 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the District, receives the full amount of uncollected taxes 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.

However, the County does not apply the Teeter Plan to taxes levied for payment of the debt service on general obligation bonds. Secured property taxes collected for the payment of debt service on general obligation bonds are allocated to the District when such secured property taxes are actually collected. Consequently, the District's receipt of the taxes levied for debt service on general obligation bonds is subject to delinquencies.

The Teeter Plan is to remain in effect unless the County 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 District is not aware of any plans by the Board of Supervisors of the County 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 December 5, 2018 for debt outstanding as of December 1, 2018. 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.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Statement of Direct and Overlapping Bonded Debt

December 5, 2018

2018-19 Assessed Valuation: $458,858,257

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/18
Redwoods Joint Community College District	2.436%	$ 657,744
Eureka Unified School District	10.511	4,697,890
Cutten School District	100.000	-[1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$5,355,634
OVERLAPPING GENERAL FUND DEBT:		
Humboldt County Certificates of Participation	3.404%	$355,378
Humboldt County Board of Education Certificates of Participation	3.404	101,269
TOTAL OVERLAPPING GENERAL FUND DEBT		$456,647
COMBINED TOTAL DEBT:		$5,812,281[2]

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($0).. -%
Total Direct and Overlapping Tax and Assessment Debt 1.17%
Combined Total Debt... 1.27%

(1) Excludes the Series A Bonds.
(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

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 A 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 A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series A Bonds is less than the amount to be paid at maturity of such Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series A 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 A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series A Bonds is the first price at which a substantial amount of such maturity of the Series A 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 A Bonds accrues daily over the term to maturity of such Series A 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 A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series A Bonds. Beneficial Owners of the Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series A Bonds in the original offering to the public at the first price at which a substantial amount of such Series A Bonds is sold to the public.

Series A 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 A 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 A 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 A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A 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 A Bonds may adversely affect the value of, or the tax status of interest on, the Series A 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 A 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 A 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 A 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 A Bonds. Prospective purchasers of the Series A 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 is expected to express 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 A 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 A Bonds ends with the issuance of the Series A 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 A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of 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 A 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 A Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series A 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 A Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. 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.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series A Bonds are legal investments for commercial banks in California to the extent that the Series A 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 A Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series A Bonds 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 the 2018-19 fiscal year (which is due no later than March 31, 2020) 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 in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

During the previous five years, the District has not been subject to any continuing disclosure undertakings pursuant to the Rule.

Isom Advisors, a Division of Urban Futures, Inc. has been engaged by the District as its dissemination agent for its undertakings relating to the Series A Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series A Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series A 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 A Bonds or District officials who will sign certifications relating to the Series A 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 A 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 Series A 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.

MISCELLANEOUS

Rating

S&P Global Ratings ("S&P") has assigned a rating of "AA-" to the Series A Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (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 such 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 A 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 a rating may have an adverse effect on the market price of the Series A Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series A Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Underwriting

The Series A Bonds are being purchased for reoffering to the public by D.A. Davidson & Co. (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on January 15, 2019 (the "Purchase Agreement"), by and between the District and the Underwriter. The Underwriter has agreed to purchase the Series A Bonds at a price of $2,092,325.90 (which represents the aggregate principal amount of the Series A Bonds, plus net original issue premium of $132,325.90, and less Underwriter's discount in the amount of $40,000.00). The Purchase Agreement provides that the Underwriter will purchase all of the Series A Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series A Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series A Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series A 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 A Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as counsel to the Underwriter with respect to the Series A Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter are also contingent upon the sale and delivery of the Series A Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series A Bonds. Quotations from and summaries and explanations of the Series A 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 A Bonds.

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

CUTTEN SCHOOL DISTRICT

By: /s/ Sue Ivey
Superintendent

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APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Cutten 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 A Bonds are payable from the general fund of the District or from State revenues. The Series A Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Humboldt on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series A Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES A BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District was founded in 1891. The District is located in the central western portion in Humboldt County, California (the "County") and serves the unincorporated area of the County known as Cutten.

The District covers approximately 11.5 square miles with a fiscal year 2018-19 projected enrollment of 610. The District currently operates two elementary schools; Cutten Elementary School serves third through sixth grades, and Ridgewood School serves kindergarten through second grades. Total assessed valuation of taxable property in the District in fiscal year 2018-19 is $458,858,257. The District operates under the jurisdiction of the Humboldt County Superintendent of Schools.

Board of Trustees

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

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)

Board of Trustees

Name	Office	Term Expires
Verne Skjonsby	President	December 2020
Andrew Sundquist	Clerk	December 2022
Mary DeWald	Member	December 2022
Becky Reece	Member	December 2020
Dennis Reinholtsen	Member	December 2022

Superintendent and Business Services Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. The current Superintendent, Sue Ivey, has served in this position since July 1, 2017.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, 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" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 73.74% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $4.53 million in fiscal year 2018-19. 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*" and "–*Attendance 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 the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the 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*" herein for more information.

State Budget Process. According to the State 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 2018-19 State budget on June 27, 2018.

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 State 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 State 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 them 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 temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; 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 State 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 A Bonds, and the District takes no responsibility for informing owners of the Series A 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.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately $133.33 billion in revenues, and $83.82 billion in non-Proposition 98 expenditures and $54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a $1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately $1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides $300 million one-time Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- <u>Statewide System of Support</u>. The 2018-19 State Budget includes $57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.

- <u>Multi-Tiered Systems of Support (MTSS)</u>. The 2018-19 State Budget includes $15 million one-time Proposition 98 General Fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- Community Engagement Initiative. The 2018-19 State Budget includes $13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes $11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes $10 million Proposition 98 General Fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- Dashboard Improvement. The 2018-19 State Budget includes $300,000 one-time Proposition 98 General Fund resources to improve the user interface of the California School Dashboard.

- LCFF Budget Summary for Parents. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to develop the electronic template for the LCFF Budget Summary for Parents, which will help stakeholders better understand funding decisions made within the LCAP.

- LCAP Redesign. The 2018-19 State Budget includes $200,000 one-time Proposition 98 General Fund resources to support intended future legislation to streamline the LCAP.

- Strong Workforce Program. The 2018-19 State Budget includes $164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes $150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.

- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at **www.dof.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.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 State Budget") on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20

State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately $149.32 billion (including a prior year balance of approximately $12.38 billion) and total expenditures in fiscal year 2018-19 totaled approximately $144.08 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately $147.86 billion, inclusive of revenues and transfers of approximately $142.62 billion and a prior year balance of $5.24 billion. The Proposed 2019-20 State Budget projects total expenditures of $144.19 billion, inclusive of non-Proposition 98 expenditures of approximately $88.90 billion and Proposition 98 expenditures of approximately $55.30 billion. The Proposed 2019-20 State Budget proposes to allocate approximately $1.39 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.28 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of $15.30 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of $2 billion in Proposition 98 general fund resources for the LCFF.

- CalSTRs Pension Costs. The Proposed 2019-20 State Budget includes a $3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRs to reduce long-term liabilities for local educational agencies and community colleges, of which $700 million will go towards buying down employer contribution rates in 2019-20 and 2020-21. The remaining 2.3 billion will be allocated to the employers' long-term unfunded liability.

- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of $20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.

- Reporting Systems Improvement. The Proposed 2019-20 State Budget includes an increase of $350,000 of one-time Proposition 98 general fund resources to merge the California School Dashboard, the LCAP electronic template, and other school site and school district reporting tools (including the School Accountability Report Card) into a single web-based application. The consolidated system will provide the public to access a single platform for information, streamline the existing reporting systems and eliminate duplicative and outdated information.

- Special Education. The Proposed 2019-20 State Budget includes $576 million of Proposition 98 general fund resources, of which $186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.

- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of $750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.

- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of $10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of state investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.

- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.

- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of $388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of $187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.

- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of $283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes

- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of $187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of $119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are $597 million and $482.2 million, respectively.

- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of $26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.

- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of $9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission. The Proposed 2019-20 State Budget includes an increase of $279,000 of one-time non-Proposition 98 general fund resources for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of $50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

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 fiscal year 2018-19 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 the Series A Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series A Bonds.

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 State Constitution, which the State's voters 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*" herein). 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 Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization 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 Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF 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 average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental 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, as described below. 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 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,235 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,796 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,269 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. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes the higher costs-of-living adjustment of 3.70% authorized by the 2018-19 State Budget, which is known as "super COLA."

- 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 50% 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. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

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 would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

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.

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.

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Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2018-19

		A.D.A./Base Grant			Enrollment[9]	
Fiscal Year		K-3	4-6	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	333.06	217.11	550.17	572	46.25%
	Targeted Base Grant[3]:	$7,675	$7,056	--	--	--
2014-15	A.D.A.[2]:	326.62	224.98	551.60	577	45.22%
	Targeted Base Grant[3][4]:	$7,740	$7,116	--	--	--
2015-16	A.D.A.[2]:	350.35	230.55	580.90	605	44.16%
	Targeted Base Grant[3][5]:	$7,083	$7,189	--	--	--
2016-17	A.D.A.[2]:	350.03	244.56	594.59	622	41.30%
	Targeted Base Grant[3][6]:	$7,116	$7,223	--	--	--
2017-18	A.D.A.[2]:	350.92	245.13	596.05	601	41.69%
	Targeted Base Grant[3][7]:	$7,941	$7,301	--	--	--
2018-19[1]	A.D.A.[1]:	348.59	231.07	579.66	610	42.34%
	Targeted Base Grant[3][8]:	$8,235	$7,571	--	--	--

(1) Figures are projections based on the first interim report for fiscal year 2018-19; these projections will be revised throughout such fiscal year.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF is now fully implemented as of the current fiscal year 2018-19 – two years ahead of its anticipated implementation.
(4) Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(8) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
(9) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2017-18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students was 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: Cutten School District.

The District received approximately $4.89 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18 and has projected to receive approximately $5.09 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 82.91% of its general fund revenues in fiscal year 2018-19). Such amount includes supplemental grants projected to be approximately $391,228 in fiscal year 2018-19.

Local Sources of Education Funding

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. 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 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 an 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"* herein for more information about the LCFF.

Local property tax revenues account for approximately 19.51% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $993,166, or 16.17% of total general fund revenues in fiscal year 2018-19.

For information about the property taxation system in California and the District's property tax base, see the sections titled "– 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 A 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 income and A.D.A. affect LCFF districts and community funded districts differently.

In an 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 community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, 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. Federal revenues, most of which are restricted, comprise approximately 6.24% (or approximately $383,261) of the District's general fund projected revenues for fiscal year 2018-19.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, 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. Other State revenues comprise approximately 7.00% (or approximately $430,004) of the District's general fund projected revenues for fiscal year 2018-19.

A significant 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. The District's State lottery revenue is projected at approximately $122,604 for fiscal year 2018-19.

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. Other local revenues comprise approximately 3.85% (or approximately $236,421 million) of the District's general fund projected revenues for fiscal year 2018-19.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California 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 2018, which are included as Appendix B.

Independently audited financial reports 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. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, David L. Moonie & Co., LLP, Certified Public Accountants, Eureka, California for fiscal years 2013-14 through 2017-18.

David L. Moonie & Co., LLP, Certified Public Accountants 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 District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2013-14 through 2017-18.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
Local control funding formula sources:					
State apportionments	$2,704,856	$3,021,277	$3,572,891	$3,822,860	$3,896,727
Local sources	789,287	799,010	881,935	947,918	994,758
Federal	241,775	264,005	353,626	390,261	438,472
Other state	276,872	254,338	621,410	606,315	476,409
Other local	233,833	221,780	284,380	291,657	282,585
Total revenues	4,246,623	4,560,410	5,714,242	6,059,011	6,088,951
EXPENDITURES					
Instruction	2,831,646	3,226,916	3,472,870	4,002,690	3,931,802
Instruction-related services	357,198	422,047	452,549	484,227	465,527
Pupil services	72,367	102,692	111,098	108,486	268,419
Ancillary services	-	-	-	-	1,263
Community services	28,901	29,806	30,427	30,399	35,159
General administration	210,579	236,747	251,074	273,659	615,747
Plant services	286,795	353,221	469,885	486,749	637,215
Debt service – interest	3,014	1,310	-	-	2,459
Debt service – principal	41,189	42,739	-	-	11,077
Total expenditures	3,831,689	4,415,478	4,787,903	5,386,210	5,968,668
Excess of Revenues Over Expenditures	414,934	144,932	926,339	672,801	120,283
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(13,358)	(20,264)	(30,210)	(27,589)	(4,053)
Proceeds from capital lease	-	-	-	59,318	-
Total other financing sources (uses)	(13,358)	(20,264)	(30,210)	31,729	(4,053)
Excess of revenues and other financing sources over expenditures and other uses	401,576	124,668	896,129	704,530	116,230
Fund Balance, July 1	1,621,109	2,022,685	2,147,353	3,043,482	3,748,012
Fund Balance, July 30	$2,022,685	$2,147,353	$3,043,482	$3,748,012	$3,864,242

Source: Cutten School District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

The following table shows the general fund balance sheet of the District for fiscal years 2013-14 through 2017-18.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS					
Cash in County Treasury	$1,510,596	$2,095,456	$2,906,153	$3,697,132	$3,847,115
Cash in revolving fund	2,500	2,500	2,500	2,500	2,500
Accounts receivable	516,309	89,031	145,714	75,057	102,512
Total assets	2,029,405	2,186,987	3,054,367	3,774,689	3,952,127
LIABILITIES					
Accounts payable	$ 6,720	$ 7,053	$ 10,885	$ 26,677	$87,885
Unearned revenue	-	32,581	-	-	-
Total liabilities	6,720	39,634	10,885	26,677	87,885
FUND BALANCES					
Nonspendable	2,500	2,500	2,500	2,500	2,500
Restricted	226,124	105,253	162,927	291,615	141,393
Assigned	20,634	299,391	387,967	437,293	559,494
Unassigned	1,773,427	1,740,209	2,490,088	3,016,604	3,160,855
Total Fund Balances	2,022,685	2,147,353	3,043,482	3,748,012	3,864,242
Total Liabilities and Fund Balances	$2,029,405	$2,186,987	$3,054,367	$3,774,689	$3,952,127

Source: Cutten School District Audited Financial Report for fiscal years 2013-14 through 2017-18.

District Budget Process and County Review

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 County of Humboldt Superintendent of Schools.

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

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

A State law adopted in 1991 (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, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent of schools 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* 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 of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

The following table sets forth the District's adopted general fund budgets for fiscal years 2016-17 through 2018-19, unaudited actuals for fiscal years 2016-17 through 2017-18 and first interim report for fiscal year 2018-19.

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CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
General Fund Budgets for Fiscal Years 2016-17 through 2018-19, Unaudited Actuals for Fiscal Years 2016-17 through 2017-18 and First Interim Report for Fiscal Year 2018-19

	2016-17 Original Adopted Budget	2016-17 Unaudited Actuals	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals	2018-19 Original Adopted Budget	2018-19 First Interim Report[(1)]
REVENUES						
LCFF Sources	$4,658,250.00	$4,770,777.93	$4,831,660.00	$4,891,484.74	$5,026,564.00	$5,091,445.00
Federal Revenue	418,604.00	390,260.52	463,234.00	438,472.10	387,991.00	383,261.00
Other State Revenue	302,451.00	606,315.58	300,058.00	476,408.60	487,593.00	430,004.00
Other Local Revenue	181,970.00	285,796.23	213,447.00	267,055.77	222,239.00	236,421.00
TOTAL REVENUES	5,561,275.00	$6,053,150.26	5,808,399.00	6,073,421.21	6,124,387.00	6,141,131.00
EXPENDITURES						
Certificated Salaries	2,383,768.00	2,273,280.63	2,369,282.00	2,317,729.04	2,330,846.00	2,295,468.00
Classified Salaries	728,019.00	755,679.60	794,056.00	838,864.48	763,149.00	843,269.00
Employee Benefits	1,210,623.00	1,318,859.94	1,402,918.00	1,437,291.49	1,395,438.00	1,488,685.00
Books and Supplies	347,333.00	370,551.95	487,812.00	179,814.59	522,437.00	615,144.00
Services, Other Operating Expenses	582,440.00	412,587.89	716,106.00	850,744.10	816,049.00	960,690.00
Capital Outlay	-	13,000.00	189,090.00	149,875.04	116,800.00	116,800.00
Other Outgo (excluding Direct Support/Indirect Costs)	105,002.00	182,932.99	283,221.00	201,957.14	225,962.00	207,559.00
Other Outgo - Transfers of Indirect Costs	-	-	-	-	-	-
TOTAL EXPENDITURES	5,357,185.00	5,326,893.00	6,242,485.00	5,976,275.88	6,170,681.00	6,527,615.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	204,090.00	726,257.26	(434,086.00)	97,145.33	(46,294.00)	(386,484.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	-	-	-
Inter-fund Transfers Out	(123,300.00)	(627,588.84)	(172,460.00)	(143,213.33)	(27,371.00)	(27,371.00)
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(123,300.00)	(627,588.84)	(172,460.00)	(143,213.33)	(27,371.00)	(27,371.00)
NET INCREASE (DECREASE) IN FUND BALANCE	80,790.00	98,668.42	(606,548.00)	(46,068.00)	(73,665.00)	(413,855.00)
BEGINNING BALANCE,						
as of July 1	1,919,742.41	2,560,827.91	2,077,316.91	2,659,496.33	2,245,623.33	2,613,428.33
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	1,919,742.41	2,560,827.91	2,077,316.91	2,659,496.33	2,245,623.33	2,613,428.33
Other Restatements	-	-	-	-	-	-
Adjusted Beginning Balance	1,919,742.41	2,560,827.91	2,077,316.91	2,659,496.33	2,245,623.33	2,613,428.33
ENDING BALANCE	$2,000,532.41	$2,659,496.33	$1,470,770.91	$2,613,428.33	$2,171,958.33	$2,199,573.33
Unrestricted Ending Balance	$1,868,050.33	$2,367,881.17	$1,443,124.67	$2,472,034.87	$2,057,285.17	$2,066,927.87
Restricted Ending Balance	$132,482.08	$291,615.16	$27,646.24	$141,393.46	$114,673.16	$132,645.46

[(1)] Figures are projections.

Cutten School District original adopted budgets for fiscal years 2016-17 through 2018-19; unaudited actuals for fiscal years 2016-17 through 2017-18; and first interim report for fiscal year 2018-19.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2018, consisted of the following:

Long-Term Debt[1]	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Accrued vacation	$ 17,547	-	$ 273	$ 17,274	$17,274
Capital lease	51,385	-	11,077	40,308	11,676
Other postemployment benefits	163,819	$1,032,914	-	1,196,733	-
Net pension liability	4,467,300	695,047	-	5,162,347	-
Total governmental activities	$4,700,051	$1,727,961	$11,350	$6,416,662	$28,950

[1] Does not reflect the issuance of the Series A Bonds.
Source: Cutten School District Audited Financial Report for fiscal year 2017-18.

Capital Leases. The District has entered into an agreement to lease various equipment. The agreement is, in substance, a purchase and is reported as a capital lease obligation. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is $5,000 or more.

The following schedule presents future minimum lease payments as of June 30, 2018. The District received no sublease rental income on any of its capital leases.

Year Ending June 30,	Total
2019	$13,524
2020	13,524
2021	13,524
2022	3,382
Net Minimum Lease Payments	43,954
Less: Interest	(3,646)
Present Value of Minimum Lease Payments	$40,308

Source: Cutten School District Audited Financial Report for fiscal year 2017-18.

The following schedule presents leased land, buildings and equipment under capital leases in capital assets at June 30, 2018. Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

Equipment	$59,318
Less: Accumulated depreciation	(17,796)
Total	$41,522

Source: Cutten School District Audited Financial Report for fiscal year 2017-18.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with California State Teacher's Retirement System "CalSTRS") and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides postemployment healthcare benefits to eligible certificated and classified employees (collectively, the "Plan") as described in detail in the applicable Board policy. Generally, for a classified employee, the employee must have reached the age of 60, must have been employed full-time by the District for a minimum of 20 years, and must qualify for service or disability retirement under CalPERS. The health benefits provided to a classified employee shall be for a period not to exceed five years or to age 65, whichever comes first. Generally, for a certificated employee hired prior to July 1, 2014, the employee must have reached the age of 55, must have been employed full-time by the District for a minimum of 10 years, and must qualify for service or disability retirement under CalSTRS. For a certificated employee hired on or after July 1, 2014, the employee must have reached the age of 60, must have been employed full-time by the District for a minimum of 15 years, and must qualify for service or disability retirement under CalSTRS. The health benefits provided to a certificated employee shall be for a period not to exceed 10 years or to age 65, whichever comes first. The contribution requirement of plan members and the District are established and may be amended by the District and its bargaining units.

As of June 30, 2018, the Plan covered 38 active employees and 8 inactive employees or beneficiaries currently receiving benefits for a total of 46 members of the Plan. For fiscal year 2017-18, the District's cash contributions totaled $152,820, and there was no estimated implied subsidy. The District has not established a trust for the purpose of pre-funding its OPEB liability.

For a description of the District's program, see Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") 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 Number 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 Number 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 Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has not yet determined the impact of Statement No. 75 on its financial statements.

Total Compensation Systems, Inc., Westlake Village, California, has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of June 30, 2018 valuation date, the pay-as-you go cost, the cost of benefits for current retires, for providing retiree health benefits in fiscal year 2018-19, is $108,895. For current employees, the value of benefits accrued in fiscal year 2018-19 is $73,989 (the "Service Cost"). The Service Cost would increase each year based on covered payroll. Had the District begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. The Actuarial Valuation estimated the amount that would have accumulated, the "Total OPEB Liability," to be $1,196,732 and the OPEB Expense for fiscal year 2017-18 to be $116,832. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

The Actuarial Valuation assumes, among other things, 2.75% inflation per year, a 3.8% per year net of expenses, a 4% trend in medical costs, 2.75% per year payroll increase. For more information about the District's annual required contribution for fiscal year 2017-18 and the District's net OPEB obligation and prefunding of benefits at June 30, 2018, see Note 11 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Tax and Revenue Anticipation Notes. The District does not expect to issue tax and revenue anticipation notes ("TRANS") or borrow funds to supplement the District's cash flow in fiscal year 2018-19. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Inter-District Transfers. On July 5, 2017, the District entered into a settlement agreement with Eureka City Schools District which included a payment of $260,000 to Eureka City Schools District. This settlement was a result of inter-district transfers that were not formally approved by the Eureka City Schools District prior to students being enrolled in the District.

Employment

As of November 2018, the District employed 31 full-time certificated employees and 8 full-time classified employees. In addition, the District employs 47 part-time faculty and staff. For fiscal year 2017-18, the total certificated and classified payrolls for all funds were approximately $2.32 million and $838,864, respectively, and are projected to be approximately $2.30 million and $843,269, respectively, in fiscal year 2018-19. Certificated employees are represented by the bargaining units as noted below. The classified employees are not represented by a bargaining unit.

Name of Bargaining Unit	Number of Full-Time Equivalent Employees Represented	Current Contract Expiration Date
Humboldt Bay Teachers Association (HBTA)	26.2	June 30, 2019*

* The District and HBTA are involved in ongoing negotiations regarding certain terms of the existing contract that are subject to re-opening, including salary enhancement.
Source: Cutten School District.

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 school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, covered employees contributed 8.00% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to system-wide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. However, on July 1, 2018, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 9.328%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As of June 30, 2017, an actuarial valuation (the "2017 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $107.3 billion, an increase of approximately $10.6 million from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 62.6%, 63.7%, and 68.5%, respectively. 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. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," a 7.00% investment return assumption consistent with the State Teachers' Retirement Board's decision on February 1, 2017, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 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 August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's required non-employer contribution for fiscal years 2014-15 through 2017-18 and the projected contributions for fiscal year 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Contributions to CalSTRS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	District Contribution	State's STRS On-Behalf Contribution
2014-15	$170,939	$144,444
2015-16	199,974	164,356
2016-17	235,028	245,977
2017-18	287,159	234,144
2018-19[1]	359,020	183,742

[1] Projections based on first interim report for fiscal year 2018-19.
Source: Cutten School District.

The District's total employer contributions to CalSTRS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

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.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the 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. 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.

The districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the PERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The PERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December 2016, the PERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with PERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20 year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

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

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the PERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019 valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the PERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the PERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 and the projected contribution for fiscal year 2018-19.

CUTTEN SCHOOL DISTRICT
(Humboldt County, California)
Contributions to CalPERS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	Contribution
2014-15	$53,223
2015-16	60,030
2016-17	65,669
2017-18	87,447
2018-19[(1)]	107,041

(1) Projections based on first interim report for fiscal year 2018-19.
Source: Cutten School District

The District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new 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 $127,200 for 2017, 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. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

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 Note 10 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increases pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in two joint venture under joint powers agreements ("JPAs") – the North Coast Schools' Insurance Group and North Coast Schools' Medical Insurance Group.

North Coast Schools' Insurance Group ("NCSIG"). NCSIG arranges for and provides workers compensation and property and liability insurance for its members, which include all of the Humboldt and Del Norte County School Districts and their respective County Offices of Education. NCSIG is governed by a commission composed of one representative from each member agency. A nine-member executive committee elected by and from the commission controls the operations of NCSIG, including selection of management and approval and operating budgets.

North Coast Schools' Medical Insurance Group ("NCSMIG"). NCSMIG arranges for and provides medical, dental and vision insurance for its members, which include the Humboldt County Office of Education and most Humboldt County school districts. NCSMIG is governed by a board of directors composed of permanent representatives from member school districts which have 100 or more insured lives and at large representatives for those member districts with less than 100 insured lives. The Board controls the operations of NCSMIG including selection of management and approval of operating budgets. NCSMIG is independent of influence by member districts beyond representation of the Board.

The member district of each JPA pays a premium commensurate with the level of coverage requested and share surpluses and deficits proportionately to each member's participation in each respective JPA. See Note 6 to the District's audited financial statements attached hereto as APPENDIX B—"FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) 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 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 State 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 1989.

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 State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State 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, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("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, State voters 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 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 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 Limits 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, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the 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 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 the voters 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 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 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 the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the 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 multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") 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 Public School System Stabilization Account 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 Public School System Stabilization Account, 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 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 Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediate after a fiscal year in which the amount of moneys in the Public School System Stabilization Account 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 Series A Bonds are payable from *ad valorem* 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 A 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 revenues.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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CUTTEN SCHOOL DISTRICT
County of Humboldt
Eureka, California

FINANCIAL STATEMENTS

Year Ended June 30, 2018

With

INDEPENDENT AUDITOR'S REPORT

CUTTEN SCHOOL DISTRICT

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Matthew J. Hague, CPA

CUTTEN SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Cutten School District
4182 Walnut Dr.
Cutten, California 95503

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cutten School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net OPEB liability and related ratios for the last ten years, and the schedules of pension liabilities and contributions on pages 4a through 4h and 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and other supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial schedules, the schedule of average daily attendance, the schedule of instructional time, the schedule of financial trends and analysis, and the reconciliation of annual financial and budget report with audited financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the other supplementary schedules listed in the first sentence of this paragraph are fairly stated in all material respects in relation to the financial statements as a whole.

The Organization Schedule and the Schedule of Charter Schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the District's internal control over financial reporting and compliance.

David L. Moonie + Co.

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
November 15, 2018

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Introduction

The Management Discussion and Analysis section is management's view of the district's financial condition, and provides an opportunity to discuss important fiscal issues with the Governing Board and the public.

The Cutten School District

The District serves the residents of the Cutten community in Humboldt County, just outside the southern boundary of the City of Eureka. District enrollment was 604 students for the 2017-2018 school year. Current year average daily attendance was 574.41. Two schools serve the Cutten School District. Kindergarten through second grade students attend Ridgewood Elementary School. Third grade through sixth grade students attend Cutten Elementary School.

The District Mission Statement

The Cutten School District's mission is to provide our students with:

- An opportunity to reach full academic potential;
- An appreciation of the arts and humanities;
- An opportunity to learn about themselves and the world around them;
- An opportunity to grow as responsible citizens of our community and our country;
- A respect for the rights of the individual in a democratic society; and
- A sense of their own unique value and worth.

Overview of the Financial Statements

The audit report consists of multiple parts: the Independent Auditor's Report on Financial Statements, the Management Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, Supplemental Information, Other Independent Auditor Reports, and Audit Findings and Questioned Costs.

The Basic Financial Statements section provides overall financial information about District operations through several detailed reports. The Government-wide statements reflect the District's overall financial status. The Governmental Funds statements tell how basic services, like regular and special education, were financed as well as what remains for future spending. Fiduciary Fund statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others who own the resources.

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

The Required Supplementary Information section contains a comparison schedule for the General Fund, as well as schedules with information on the District's pension and other postemployment benefits liabilities.

The Other Independent Auditor Reports section includes data regarding internal controls and state compliance.

The Findings and Questioned Costs section details the specific areas that resulted in audit findings needing corrective action for all financial statements and all applicable state/federal programs for the current year as well as the prior year.

Financial Reports

Two financial reports, the Statement of Net position and Statement of Activities, reflect district-wide financial condition and activities. In contrast, the individual fund statements focus on reporting the district's operations in more detail. The fund financial statements look at the District's major funds with all other non-major funds presented in total in one column. The major fund for the District is:

- General Fund

Statement of Net position

Displayed below is the value of all assets, including buildings, land, and equipment. Depreciation is included. Land is accounted for at purchase value, not market value, and is not depreciated. The valuation of school buildings is based on historical costs. The table below summarizes the value of district assets. This chart reflects accounting entries showing the district's proportionate share of CalSTRS' and CalPERS' net pension liability which is reported and adjusted annually based on actuarial computations (noncurrent obligations). It also shows the amount paid in the year ended June 30, 2018 for the employer portion of the STRS and PERS contributions (deferred outflow) and the pension-related net difference between projected and actual earnings on pension plan investments amortized over five years (deferred inflow).

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Cutten School District

NET POSITION

	2016-2017 **	2017-2018
Current & Other Assets	$3,835,855	$4,021,618
Capital Assets	$ 628,207	$ 698,436
Total Assets	**$4,464,062**	**$4,720,054**
Deferred Outflows	**$ 975,600**	**$1,576,659**
Current Liabilities	$ 26,814	$ 87,885
Unearned Revenue	$ 0	$ 0
Noncurrent obligations	$4,700,051	$6,416,662
Total Liabilities	**$4,726,865**	**$6,504,547**
Deferred Inflows	**$ 115,700**	**$ 247,460**
Invested in Capital Assets		
Net of Related Debt	$ 576,822	$ 658,127
Restricted	$ 352,144	$ 209,867
Unrestricted	$ -331,869	$-1,323,288
Total Net Position	**$ 597,097**	**$ -455,294**

** - Prior to restatement for GASB 75 other postemployment benefits liability adjustment that reduced net position by $1,021,238.

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Statement of Activities

Net position is the difference between all our assets (buildings, equipment, etc.) less liabilities (depreciation, loans). Total expenses exceeded total revenues for the year which decreased net position by $31,153. This was due mainly to increased expenses. Both one-time in nature, General Administration expense reflects the settlement with Eureka City Schools and Plant Services expense reflects our Proposition 39 costs. The following table summarizes the changes to net position for the 2016-2017 and the 2017-2018 fiscal years.

Cutten School District
CHANGE TO NET POSITION

Revenues:	**2016-2017 ****	**2017-2018**
General Revenues:		
Federal & State Aide Unrestricted	$4,054,828	$4,096,139
Property Taxes	$ 947,918	$ 994,758
Other	$ 180,104	$ 159,038
Program Revenues	$1,011,610	$ 994,074
Total Revenues	**$6,194,460**	**$6,244,009**
Expenses:		
Instructional-related	$4,263,822	$4,611,094
Pupil Services	$ 263,991	$ 274,558
General Administration	$ 277,395	$ 664,603
Plant Services	$ 405,084	$ 680,791
Community Services	$ 31,585	$ 40,320
Debt Service	$ 2,210	$ 2,459
Other Outgo	$ 0	$ 0
Ancillary Services	$ 0	$ 1,337
Total Expenses	**$5,244,087**	**$6,275,162**
Change in Net position	**$ 950,373**	**$ -31,153**

** - Prior to restatement for GASB 75 other postemployment benefits liability adjustment. The effect of this adjustment on 2016-2017 revenues and expenses has not been calculated.

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Cutten School District Revenue 2017-2018

District revenues were received from four major sources as follows: Federal & State Aid Unrestricted (65.6%), Property Taxes (15.9%), Program Revenues (15.9%) and Other Sources (2.6%).

Cutten School District Expenses 2017-2018

The total cost of programs and services was $6,275,162. The District expenses are predominately related to the instruction of students (73.5%). Administrative activities of the District accounted for 10.6% of total costs. The balance of expenses is made up as follows: Pupil Service (4.4%), Plant Services (10.9%), Community Services (0.6%), Ancillary Services (0.02%), and Debt Service (0.04%).

Financial Highlights

Strong reserve levels were increased in the 2017-2018 year. The State requires the greater of $66,000 or 4% of total General Fund expenditures, Transfers Out and Uses as a reserve. Cutten School District will have a reserve balance of $3,160,855 or 53% for the beginning of the 2018-2019 school year.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its annual operating budget at various times to reflect the most current financial information available. The major changes included:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to reflect changes in staffing.
- Budget revisions to adjust program revenues and expenditures to final awards.

Summarized budget and actual information for the general fund is as follows:

	Original Budget	Final Budget	Actual	Variance
Total Revenue	5,811,399	6,073,614	6,088,951	15,337
Total Expenditures	6,242,485	6,408,382	5,968,668	439,714
Other Sources (Uses)	(33,300)	(24,120)	(4,053)	20,067
Increase (Decrease) In fund Balance	-464,386	-358,888	116,230	475,118

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Economic Factors Impacting the District's Future

The latest forecast for the 2018-2019 State Budget is moderately optimistic. District Actual Daily Attendance (ADA) decreased for the 2017-2018 school year and a soft decrease in ADA is projected for future years. The current state educational funding and the economic outlook will certainly impact the District General Fund; however the extent of the impact is unknown at this time. Health care premiums increased 5.75% for 2017-2018. This increase was paid by the employees. (A cap on health benefits was established at the 2009-10 premium rate, with payment of any increases to the cap to be negotiated.) For 17-18, such cap was increased to $14,600 with a pro-rated amount being paid to covered employees. Also, employees continue to progress on the salary schedules and higher pension contributions are being required, resulting in increased demand on revenues. The new state funding model includes the statutory COLA within the calculations for apportionments. The District may need to be prepared to adjust staffing and future spending.

Financial Condition of General Fund

Despite the uncertain economic situation for the State, the District continues to maintain a solid financial condition, due in part to gap funding. District reserves remain above required levels. This strong financial condition is a result of effective district policies and procedures, good fiscal management by staff, and decision making based on long-term impact.

Summarized individual fund information is as follows:

	General Fund	Cafeteria Fund	County Schools Facilities Fund
Total Revenue	6,088,951	154,454	603
Total Expenditures	5,968,668	150,648	0
Total Other Sources	-4,053	4,053	0
Increase (Decrease) In Fund Balance	116,230	7,859	603
Beginning Fund Balance	3,748,012	18,498	42,531
Ending Fund Balance	3,864,242	26,357	43,134

Enrollment

The District experienced a gradual increase in enrollment from 2001-2002 through 2007-2008, then had a drop in 2008-2009. Enrollment in 2009-2010 through 2012-2013 varied by no more than 6, and then increased in 2013-2014 to 572, nearly equal to the high of 573 in 2007-2008. In 2014-2015, the district's enrollment exceeded the 2007-2008 high by 25 with 598 total students and in 2015-2016, enrollment saw a small increase of 4, for a total of 602. 2016-17 saw a significant increase to 622, a jump of 20 students. A total of 604 students were enrolled in 2017-18, a decrease of 18.

District Indebtedness

As of June 30, 2018, the District has incurred $6,416,662 of noncurrent obligations as shown in the table below. This is an increase from June 30, 2017, due to new reporting requirements for the liability of other post-employment benefits, and the inclusion of PERS and STRS pension liabilities.

NONCURRENT OBLIGATIONS

	6/30/2017	6/30/2018
Compensated Absences	$ 17,547	$ 17,274
Capital Lease	51,385	40,308
Other postemployment benefits	163,819	1,196,733
Net Pension Liability	4,467,300	5,162,347
Total Noncurrent Obligations	**$4,700,051**	**$6,416,662**

District Capital Assets

As of June 30, 2018, the District had net capital assets of $698,436, as shown in the table below. This is an increase from June 30, 2017, due to the purchase of equipment and a lower depreciation amount.

CAPITAL ASSETS

	6/30/17	6/30/2018
Land	$ 47,000	$ 47,000
Work in progress	0	0
Buildings	2,003,468	2,003,468
Improvements	281,814	281,814
Equipment	320,625	470,500
Accumulated depreciation	-2,024,700	-2,104,346
Net Capital Assets	**$ 628,207**	**$ 698,436**

Cutten School District

MANAGEMENT DISCUSSION AND ANALYSIS

2017-2018

Factors Regarding the District's Financial Management

At the time the financial statements were prepared and audited, the District was aware of one major circumstance that could significantly affect its financial health in the future:

- With a new Governor in office, uncertainties continue to exist in future state and federal revenues and the impact of possible lower revenues on the District's budget, as well as the impact of shifting Local Control and Accountability Plan priorities.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show District accountability for the money it receives.

If you have questions regarding this report or need additional financial information, contact the Superintendent, Susan Ivey, or the Business Manager, Jeannemarie Baker, Cutten School District, 4182 Walnut Drive, Eureka, California 95503.

CUTTEN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Cash	$ 3,897,125
Accounts receivable	123,476
Stores	1,017
Invested in capital assets, net of depreciation	698,436
Total assets	4,720,054
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,576,659
Total deferred outflows of resources	1,576,659
Total assets and deferred outflows of resources	$ 6,296,713
LIABILITIES	
Accounts payable	$ 87,885
Long-term liabilities:	
Due within one year	28,950
Due in more than one year	6,387,712
Total liabilities	6,504,547
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	247,460
Total deferred inflows of resources	247,460
NET POSITION	
Net investment in capital assets	658,127
Restricted for:	
Capital projects	43,134
Educational programs	141,393
Other purposes	25,340
Unrestricted	(1,323,288)
Total net position	$ (455,294)

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and changes in Net Assets: Governmental Activities
Governmental Activities					
Instruction	$ 4,126,787		$ 752,945	$ 603	$ (3,373,239)
Instruction-related services:					
Supervision of instruction	125,477		7,265		(118,212)
Instructional library, media and technology	67,541				(67,541)
School site administration	291,289		11,766		(279,523)
Pupil services:					
Home-to-school transportation	94,217				(94,217)
Food services	147,722	$ 41,435	106,674		387
All other pupil services	32,619		7,344		(25,275)
General administration:					
Data processing	30,065				(30,065)
All other general administration	634,538		4,070		(630,468)
Plant services	680,791	1,775	60,113		(618,903)
Ancillary services	1,337		84		(1,253)
Community services	40,320				(40,320)
Interest on long-term debt	2,459				(2,459)
Total governmental activities	$ 6,275,162	$ 43,210	$ 950,261	$ 603	$ (5,281,088)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					$ 994,758
Federal and state aid not restricted to specific purposes					4,096,139
Interest and investment earnings					54,548
Interagency revenues					16,428
Miscellaneous					88,062
Total general revenues					5,249,935
Change in net position					(31,153)
Net position, beginning, as restated					(424,141)
Net position, ending					$ (455,294)

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash in County Treasury	$ 3,847,115	$ 47,510	$ 3,894,625
Cash in revolving fund	2,500		2,500
Accounts receivable	102,512	20,964	123,476
Stores inventory		1,017	1,017
Total assets	3,952,127	69,491	4,021,618
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 3,952,127	$ 69,491	$ 4,021,618
LIABILITIES			
Accounts payable	$ 87,885		$ 87,885
Total liabilities	87,885	-	87,885
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Nonspendable	2,500	$ 1,017	3,517
Restricted	141,393	68,474	209,867
Assigned	559,494		559,494
Unassigned	3,160,855		3,160,855
Total fund balances	3,864,242	69,491	3,933,733
Total liabilities, deferred inflows of resources and fund balances	$ 3,952,127	$ 69,491	$ 4,021,618

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Fund Balances - governmental funds balance sheet:		$ 3,933,733

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

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

Capital assets at historical cost	$ 2,802,782	
Accumulated depreciation	(2,104,346)	
Net		698,436

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

Compensated absences payable	$ (17,274)	
Other postemployment benefits	(1,196,732)	
Net pension liability	(5,162,347)	
Notes payable	(40,309)	
Total		(6,416,662)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions are reported as follows:

Deferred outflows of resources related to pensions	$ 1,576,659	
Deferred inflows of resources related to pensions	(247,460)	
Total		1,329,199

Total Net Position, Governmental Activities		$ (455,294)

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For The Year Ended June 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local control funding formula sources:			
State apportionments	$ 3,896,727		$ 3,896,727
Local sources	994,758		994,758
Federal	438,472	$ 103,179	541,651
Other state	476,409	7,839	484,248
Other local	282,585	44,039	326,624
Total revenues	6,088,951	155,057	6,244,008
Expenditures:			
Instruction	3,931,802		3,931,802
Instruction-related services	465,527		465,527
Pupil services	268,419	144,458	412,877
Ancillary services	1,263		1,263
Community services	35,159		35,159
General administration	615,747		615,747
Plant services	637,215	6,190	643,405
Debt service - interest	2,459		2,459
Debt service - principal	11,077		11,077
Total expenditures	5,968,668	150,648	6,119,316
Excess of revenues over expenditures	120,283	4,409	124,692
Other financing sources (uses):			
Operating transfers in		4,053	4,053
Operating transfers out	(4,053)		(4,053)
Total other financing sources (uses)	(4,053)	4,053	
Excess of revenues and other financing sources over expenditures and other uses	116,230	8,462	124,692
Fund balances, July 1, 2017	3,748,012	61,029	3,809,041
Fund balances, June 30, 2018	$ 3,864,242	$ 69,491	$ 3,933,733

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

Total changes in Fund Balances, governmental funds:			$ 124,692
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	$ 149,875	
	Depreciation expense	(79,646)	
	Net		70,229
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			11,077
Compensated absences: In governmental funds, compensated absences are measured buy the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			273
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(11,675)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(225,749)
Changes In Net Position, Governmental Activities			$ (31,153)

The notes to the financial statements are an integral part of this statement.

CUTTEN SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

	Agency Funds
	Student Body Fund
ASSETS	
Cash on hand and in banks	$ 13,634
Total assets	$ 13,634
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	
Total assets and deferred outflows of resources	$ 13,634
LIABILITIES	
Due to student groups	$ 13,634
Total liabilities	$ 13,634
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	$ -
NET POSITION	
Total net position	$ -

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

A. Accounting Policies

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

B. Reporting Entity

The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board pronouncements, since the Board of Trustees of the District is elected by the public and has decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in two joint ventures under joint powers agreements (JPAs): the North Coast Schools' Insurance Group and the North Coast Schools' Medical Insurance Group. The relationship between the District and the JPAs is such that neither JPA is a component unit of the District for financial reporting purposes.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

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

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

Expenses/Expenditures:

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

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains one Non-major Special Revenue Fund: the Cafeteria Fund.

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. The District maintains one Non-major Capital Projects Fund: the County School Facilities Fund.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District is the agent for one fiduciary fund. The Student Body Fund is used to account for the activities of student groups.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and the District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budget are presented for the General Fund in the financial statements.

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

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

Cash balances held in banks and in the Revolving Fund are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

The Humboldt County Treasury has no investments in derivatives.

The District does not have a specific policy which relates to interest rate risk.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	25
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

4. Unearned Revenue

Unearned revenue arises when resources are received before the "measurable" and "available" revenue recognition criteria have been satisfied, or when resources are received prior to the incurrence of qualifying expenditures. Certain grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

5. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until that future period. The items that qualified for reporting in this category are all related to the District's net pension liability and are listed in detail in subsection B of Note 10, "Pension Plans" in these financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period. The items that qualified for reporting in this category are all related to the District's net pension liability and are listed in detail in subsection B of Note 10, "Pension Plans" in these financial statements.

The District's deferred inflows and outflows will be taken into the calculation of pension expense and net pension liability in future Statements of Net Position and Statements of Activities using the following amortization periods:

	Amortization Period (Years)
Pension contributions subsequent to measurement date	1
Changes in net pension liability due to the difference between projected and actual earnings on pension plan investments	5
Differences between actual and expected experience - CalPERS	3.9
CalSTRS	7
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	5
Change in actuarial assumptions	3.9

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

8. Pensions

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

9. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments, if any, are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

10. Noncurrent Obligations

In the government-wide financial statements, noncurrent debt and other noncurrent obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, if any, are amortized over the life of the bonds using the effective-interest method. Bonds payable, if any, are reported net of applicable bond premium or discount. Bond issuance costs, if any, are expensed as incurred. The District's proportionate share of CalSTRS' and CalPERS' net pension liability is reported and adjusted annually based on actuarial computations.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discount is reported as other financing sources/uses.

11. Fund Balance

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the District's Governing Board. The District's Governing Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Governing Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Governing Board may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of June 30, 2018, fund balances were composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Revolving cash	$ 2,500		$ 2,500
Inventories		$ 1,017	1,017
Total Nonspendable	2,500	1,017	3,517
Restricted:			
Medi-Cal billing	8,191		8,191
California Clean Energy Jobs Act	8,601		8,601
Lottery instructional materials	124,601		124,601
Capital Facilities		43,134	43,134
Cafeteria Program		25,340	25,340
Total Restricted	141,393	68,474	209,867
Commited:			
Total Committed	-	-	-
Assigned:			
After School Program	4,730		4,730
Donations	104,846		104,846
Instructional Materials	19,281		19,281
Garden Club	3,445		3,445
Deferred Maintenance	358,906		358,906
Lottery	68,286		68,286
Total Assigned	559,494	-	559,494
Unassigned:			
Designated for economic uncertainties	3,160,855		3,160,855
Total Unassigned	3,160,855	-	3,160,855
Total Fund Balance	$ 3,864,242	$ 69,491	$ 3,933,733

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Governing Board has provided otherwise in its commitment or assignment actions.

12. Net Position

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

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

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

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

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

13. Local Control Funding Formula/Property Taxes

The District's local control funding formula ("LCFF") is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

The County Auditor-Controller reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local LCFF sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's base LCFF is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

H. Use of Estimates

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

I. New Governmental Accounting Standards Board (GASB) Standards

GASB Statement no. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The implementation of this standard resulted in a reduction of beginning net position as reported in the Statement of Activities, which is further described in Note 13, "Restatement of Net Position".

2. Cash and Investments

Cash and investments at June 30, 2018 consisted of the following:

Statement of net position and Governmental Funds balance sheet:	
Cash in Revolving Fund	$ 2,500
Pooled Cash in County Treasury	3,894,625
Sub-total	3,897,125
Fiduciary Funds:	
Cash in bank	13,634
Total Cash and Investments	$ 3,910,759

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. Cash in banks at June 30, 2018 consisted of the following:

	Reported Amount	Bank Balance
Cash in Revolving Fund	$ 2,500	$ 914
Fiduciary Funds Cash in bank	13,634	14,637
Total	$ 16,134	$ 15,551

The bank balance is the balance prior to adjustment for items that had not yet cleared the bank as of June 30, 2018.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1 - inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs include:

a) Quoted prices for similar assets or liabilities in active markets;
b) Quoted prices for identical assets or liabilities in inactive markets;
c) Inputs other than quoted prices that are observable for the asset or liability;
d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2018, the District held no individual investments. The District's fair value measurements were as follows at June 30, 2018:

Investment Type	Fair Value	Level
Pooled Cash in County Treasury	$ 3,888,974	2

The District has not recorded fair value adjustments in the basic financial statements as they were determined to be immaterial to the District.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The County Treasurer's investments consist of 76.59 percent federal agencies, 16.58 percent money markets, 0.82 percent municipal bonds, 4.1 percent treasury coupons, 0.83 percent medium term notes, and 1.08 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2018, none of the District's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the County of Humboldt Treasurer's investments is 716 days.

3. Receivables

Receivables at June 30, 2018 consist of the following:

	General	Other Governmental Funds	Total
Federal Government:			
Federal Programs	$ 55,238	$ 19,262	$ 74,500
State Government:			
Categorical Aid Programs	13,076	1,444	14,520
Lottery	13,076		13,076
Total State Government	26,152	1,444	27,596
Local Government:			
Other	5,845		5,845
Interest	15,277	258	15,535
Total Local Government	21,122	258	21,380
Total Receivables	$ 102,512	$ 20,964	$ 123,476

4. Interfund Transactions

Interfund Receivables/Payables

As of June 30, 2018 there were no interfund receivables or payables.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2017-2018 were as follows:

Funds	Transfers In	Transfers Out
General Fund		$ 4,053
All Other Funds:		
Cafeteria Fund	$ 4,053	
Total	$ 4,053	$ 4,053

Transfer from the General Fund to the Cafeteria Fund was for operating costs of the cafeteria program.

5. Capital Assets

Capital asset activity for the period ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 47,000			$ 47,000
Total capital assets not being depreciated	47,000	-	-	47,000
Capital assets being depreciated				
Building	2,003,468			2,003,468
Improvements	281,814			281,814
Equipment	320,625	$ 149,875		470,500
Total capital assets being depreciated	2,605,907	149,875	-	2,755,782
Less: Accumulated depreciation for:				
Buildings	(1,497,603)	(54,749)		(1,552,352)
Improvements	(281,814)			(281,814)
Equipment	(245,283)	(24,897)		(270,180)
Total accumulated depreciation	(2,024,700)	(79,646)	-	(2,104,346)
Capital assets being depreciated, net	581,207	70,229	-	651,436
Governmental activities capital assets, net	$ 628,207	$ 70,229	$ -	$ 698,436

Depreciation was charged to functions as follows:

Instruction	$ 25,977
Instructional library, media and technology	7,643
Home-to-school transportation	3,404
Other pupil services	819
Community services	3,081
Data processing	12,452
Plant services	26,270
	$ 79,646

6. Joint Ventures

The District participates in two joint ventures under joint powers agreements (JPAs): the North Coast Schools' Insurance Group and the North Coast Schools' Medical Insurance Group.

North Coast Schools' Insurance Group (NCSIG) - The NCSIG arranges for and provides workers compensation and property and liability insurance for its members: all of the Humboldt and Del Norte County School Districts and their County Offices of Education. The NCSIG is governed by a commission composed of one representative from each member agency. A nine member executive committee elected by and from the commission controls the operations of the NCSIG, including selection of management and approval of operating budgets. The NCSIG is independent of any influence by the member districts beyond their representation on the commission. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the NCSIG.

North Coast Schools' Medical Insurance Group (NCSMIG) - The NCSMIG arranges for and provides medical, dental and vision insurance for its members: Humboldt County Office of Education and all Humboldt County School Districts. The NCSMIG is governed by a board of directors composed of representatives from member districts which have one hundred or more insured lives and one representative for those member districts with less than one hundred insured lives. The Board controls the operations of the NCSMIG including selection of management and approval of operating budgets. NCSMIG is independent of 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 its participation in the NCSMIG.

The following is a summary of financial information for NCSIG and NCSMIG at June 30, 2017 (the most recent information available):

	NCSIG	NCSMIG
Total assets	$ 5,472,996	$ 5,910,924
Total liabilities	1,369,495	6,363,822
Total net position	$ 4,103,501	$ (452,898)
Total revenues	$ 6,926,320	$ 54,821,004
Total expenses	6,755,566	54,274,843
Change in net position	$ 170,754	$ 546,161

A copy of the most recent financial statements for NCSIG and NCSMIG can be requested by writing to 901 Myrtle Ave., Eureka, CA 95501.

7. Capital Leases

The District has entered into an agreement to lease various equipment. This agreement is, in substance, a purchase (capital leases) and is reported as a capital lease obligation. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is $5,000 or more.

The following schedule presents future minimum lease payments as of June 30, 2018.

Year Ending June 30,	Total
2019	$ 13,524
2020	13,524
2021	13,524
2022	3,382
Net Minimum Lease Payments	43,954
Less: Interest	(3,646)
Present Value of Minimum Lease Payments.	$ 40,308

The District received no sublease rental income on any of its capital leases.

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2018, include the following.

Equipment	$ 59,318
Less: Accumulated depreciation	(17,796)
Total	$ 41,522

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

8. Changes In Non-Current Obligations

Noncurrent obligations include debt and other noncurrent liabilities. Changes in non-current obligations for the period ended June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Accrued vacation	$ 17,547		$ 273	$ 17,274	$ 17,274
Capital lease	51,385		11,077	40,308	11,676
Other postemployment benefits	163,819	$ 1,032,914		1,196,733	
Net pension liability	4,467,300	695,047		5,162,347	
Total governmental activities	$ 4,700,051	$ 1,727,961	$ 11,350	$ 6,416,662	$ 28,950

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Accrued vacation	Governmental	General
Capital lease	Governmental	General
Other postemployment benefits	Governmental	General
Net pension liability	Governmental	General

9. Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual major funds as follows:

Appropriations Category	Excess Expenditure
General Fund	
Certificated salaries	$ 4,277
Employee benefits	5,040
Debt service - interest	2,459
Debt service - principal	11,077

10. Pension Plans

A. General Information about the Pension Plans

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

Public Employees' Retirement System (PERS)

Plan Description

All qualified full-time and part-time classified employees of the public school system are eligible to participate in the District's PERS Plan. Benefit provisions under the PERS Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information. These reports can be obtained at CalPERS' website under "Forms and Publications".

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalPERS	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	1.10% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.5%
Required employer contribution rates	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. It is the responsibility of the District to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

For the year ended June 30, 2018, the CalPERS contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	87,447
Contributions - employee (paid by employer)		-
Total	$	87,447

State Teachers' Retirement System (STRS)

Plan Description

All qualified full-time and part-time public school teachers and certain other employees of the public school system are eligible to participate in the District's STRS Plan. Benefit provisions under the STRS Plan are established by State statute and Local Government resolution. CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided

CalSTRS provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

The Plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution rates	14.43%	14.430%
Required employer contribution rates	9.33%	9.33%

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2018, the CalSTRS contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	287,159
Contributions - employee (paid by employer)		-
Total	$	287,159

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

PERS Plan	$	1,179,309
STRS Plan		3,983,038
Total	$	5,162,347

The District's net pension liability for each Plan is measured as its proportionate share of the net pension liability for the Plan as a whole. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 was as follows:

	CalPERS	CalSTRS
Proportion - June 30, 2016	0.004620%	0.004395%
Proportion - June 30, 2017	0.004940%	0.004307%
Change - Increase (Decrease)	0.000320%	-0.000088%

For the year ended June 30, 2018, the District recognized pension expense of $898,152. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date - CalPERS	$ 107,500	
Pension contributions subsequent to measurement date - CalSTRS	330,862	
Differences between actual and expected experience - CalPERS	40,637	
Differences between actual and expected experience - CalSTRS	14,730	$ 70,800
Changes in assumptions - CalPERS	170,781	12,900
Changes in assumptions - CalSTRS	737,893	
Change in employer's proportion - CalSTRS	102,600	51,826
Change in employer's proportion - CalPERS	39,765	1,200
Net differences between projected and actual earnings on plan investments - CalPERS	31,891	
Net differences between projected and actual earnings on plan investments - CalSTRS		110,734
	$ 1,576,659	$ 247,460

$438,362 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date Ended June 30	Increase (Decrease) Pension Expense
2018	$ 120,967
2019	331,967
2020	230,677
2021	(18,971)
2022	109,400
Thereafter	116,797
Total	$ 890,837

Actuarial Assumptions

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability for each Plan was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and June 30, 2017 total pension liabilities for each plan were based on the following actuarial assumptions:

Public Employees' Retirement System (PERS)

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by age and length of service
Investment Rate of Return	7.15% (a)
Remaining Amortization Period	14-30 years
Asset valuation method	Market value
Mortality Rate Table	Custom (b)
Post Retirement Benefit Increase	2.0% until purchasing power protection allowance floor applies, 2.75% thereafter

(a) - Net of pension plan investment and administrative expenses, including inflation

(b) - The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at: https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an April 2014 actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can found on the CalPERS website.

State Teachers' Retirement System (STRS)

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	Varies by age and length of service
Investment Rate of Return	7.1% (a)
Asset valuation method	Fair value
Remaining Amortization Period	21 years
Mortality	Custom (b)
Post Retirement Benefit Increase	2.0% simple

(a) - Net of pension plan investment and administrative expenses, including inflation

(b) - For active employees, mortality is based on the RP-2014 White Collar Employee mortality table set back 2 years. For retirees, mortality is based on the 2016 CalSTRS mortality table for retirees. For disabled participants, mortality is based on the RP-2014 Disabled Retiree mortality table set back 2 years. All tables use 110% of the MP-2016 Ultimate Projection Scale. The combined base tables and projection scale specified contain a margin for expected future mortality improvement.

Discount Rate

State Teachers' Retirement System (STRS)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term (10-Year) Average Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	100%	

Public Employees' Retirement System (PERS)

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculations is not necessary. The stress test results are presented in a detailed report, *GASB*

Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2017 based on June 30, 2016 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

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

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Assumed Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

(a) - An expected inflation rate of 2.5% was used for this period.
(b) - An expected inflation rate of 3.0% was used for this period.

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

The following presents the District's proportionate share of the net pension liability for the plans, calculated using the discount rate for the plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

PERS

	Discount Rate less 1% (6.15%)	Current Discount (7.15%)	Discount Rate plus 1% (8.15%)
Plan's net pension liability	$ 1,735,141	$ 1,179,309	$ 718,199

STRS

	Discount Rate less 1% (6.1%)	Current Discount (7.1%)	Discount Rate plus 1% (8.1%)
Plan's net pension liability	$ 5,848,426	$ 3,983,038	$ 2,469,225

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued CalPERS and CalSTRS financial reports available on the CalPERS' and CalSTRS' websites.

C. Payable to the Pension Plan

At June 30, 2018, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

D. Special Funding Situation

The State of California is legally responsible for making contributions directly to the STRS Pension Plan on behalf of school districts. This is considered a "special funding situation". The following are required disclosures regarding the special funding situation for the STRS Pension Plan:

State of California nonemployer contributing entity's proportionate share of net pension liability associated with the District	$	2,356,331
District's proportionate share of net pension liability		3,983,038
Total of State of California and District Share of the Net Pension Liability	$	6,339,369
Revenue recognized in Statement of Activities for support provided by the State of California as a nonemployer contributing entity	$	234,144

11. Post-Employment Benefits Other Than Pension Benefits

Plan Description

The District has established the Cutten School District Retiree Healthcare Plan (HC Plan), a single-employer plan. The HC Plan provides medical healthcare benefits up to age 65 to certificated and classified employees and their dependents who retire directly from the District, at a minimum age of 55, with a minimum of 10 years of service for certificated employees and 20 years of service for classified employees. The benefit amount is subject to the District's active cap on employee healthcare benefits. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

Active employees	38
Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to, but not yet receiving benefits	0
Total	46

Contributions

The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ended June 30, 2018, the District's cash contributions were $152,820, and there was no estimated implied subsidy, resulting in total payments of $152,820. No trust has been created for the purpose of prefunding obligations for past services.

Total OPEB Liability

The District's total OPEB liability was determined by an actuarial valuation dated June 30, 2018, based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Actuarial cost method	Entry-age actuarial cost method
Discount Rate	3.80%
Inflation	2.75%
Salary Increases	2.75% per annum, in aggregate
Investment Rate of Return	3.80%
Mortality Rate	Derived using 2009 CalSTRS Mortality study and 2014 CalPERS Active Mortality for Miscellaneous Employees study.
Pre-Retirement Turnover	Derived using 2009 CalSTRS Termination Rates study and 2009 CalPERS Termination Rates for School Employees study.
Healthcare Trend Rate	4.00%

There were no plan assets as of June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.8 percent, based on an index of 20-year General Obligation municipal bonds. The projection of cash flows used to determine the discount rate assumed that District contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Changes in the OPEB Liability

The changes in the total OPEB liability for the HC Plan are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at June 30, 2017 (Valuation Date June 30, 2018)	$ 1,185,057
Changes recognized for the measurement period:	
Service cost	72,009
Interest	44,373
Benefits payments	(104,707)
Net Changes	11,675
Balance at June 30, 2018 (Measurement Date June 30, 2018)	$ 1,196,732

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
Total OPEB Liability	$ 1,292,866	$ 1,196,732	$ 1,110,310

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (3.0%)	Current Healthcare Cost Trend Rate (4.0%)	1% Increase (5.0%)
Total OPEB Liability	$ 1,120,880	$ 1,196,732	$ 1,272,242

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. Therefore, valuation-based deferred items will not begin until the next valuation.

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $116,382. As of fiscal year ended June 30, 2018, the District reported no deferred outflows of resources related to OPEB.

Payable to the HC Plan

At June 30, 2018, the District reported no amount payable for any outstanding amount of contributions to the HC plan required for the year ended June 30, 2018

12. Risk Management

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages these risks of loss through participation in public entity risk pools, as described in the note regarding "Joint Ventures". There have been no significant reductions in insurance coverage from the prior year. For each of the past three years settlements did not exceed insurance coverage.

13. Restatement of Beginning Net Position

Net position previously reported, June 30, 2017	$	597,097
Restatement for the effects of GASB 75:		
Less: 6/30/17 OPEB liability computed in accordance with GASB 75		(1,185,057)
Add: 6/30/17 OPEB liability previously reported in accordance with prior accounting standards		163,819
Net restatement adjustment		(1,021,238)
Net position as restated, June 30, 2017	$	(424,141)

14. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

15. Subsequent Events

In the November 6, 2018 general election, voters approved a $4,000,000 bond measure to be used for various improvements and renovations of District facilities.

REQUIRED SUPPLEMENTARY INFORMATION

CUTTEN SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP) GENERAL FUND

For The Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
Revenues:				
Local control funding formula sources:				
State apportionments	$ 3,899,176	$ 3,913,573	$ 3,896,727	$ (16,846)
Local sources	932,484	983,019	994,758	11,739
Federal revenues	463,234	448,859	438,472	(10,387)
Other state revenues	300,058	458,782	476,409	17,627
Other local revenues	216,447	269,381	282,585	13,204
Total revenues	5,811,399	6,073,614	6,088,951	15,337
Expenditures:				
Certificated salaries	2,369,282	2,313,452	2,317,729	(4,277)
Classified salaries	794,056	843,776	838,864	4,912
Employee benefits	1,402,918	1,424,642	1,429,682	(5,040)
Books and supplies	487,812	327,336	179,819	147,517
Services and other operating expenditures	716,106	1,100,418	837,206	263,212
Capital outlay	189,090	189,090	149,875	39,215
Other outgo	283,221	209,668	201,957	7,711
Debt Service - interest			2,459	(2,459)
Debt Service - principal			11,077	(11,077)
Total expenditures	6,242,485	6,408,382	5,968,668	439,714
Excess (deficiency) of revenues over (under)expenditures	(431,086)	(334,768)	120,283	455,051
Other financing sources (uses):				
Transfers out	(33,300)	(24,120)	(4,053)	20,067
Total other financing uses	(33,300)	(24,120)	(4,053)	20,067
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(464,386)	(358,888)	116,230	475,118
Fund balances, July 1, 2017	3,748,012	3,748,012	3,748,012	-
Fund balances, June 30, 2018	$ 3,283,626	$ 3,389,124	$ 3,864,242	$ 475,118

CUTTEN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS FOR THE LAST TEN YEARS*

For The Year Ended June 30, 2018

Measurement Period, June 30		2018
Total OPEB Liability:		
Service cost	$	72,009
Interest on the total OPEB liability		44,373
Actual and expected experience difference		-
Changes in assumptions		-
Changes in benefit terms		-
Benefit payments		(104,707)
Net change in OPEB liability		11,675
Total OPEB liability - beginning		1,185,057
Total OPEB liability - ending	$	1,196,732
Covered-employee payroll	$	3,214,736
Net OPEB liability as a percentage of covered-employee payroll		37.2%

Notes to Schedule

The District's retiree healthcare plan has no assets accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement no. 75, paragraph 4.

Changes in assumptions - There were no changes in assumptions for the measurement period ended June 30, 2018.

* - Historical information is required only for measurement periods for which GASB 75 is applicable. GASB 75 was implemented in the year ended June 30, 2018. Future years' information will be displayed up to 10 years as information becomes available.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE LAST TEN YEARS * -

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

For The Year Ended June 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.00494%	0.004620%	0.004606%	0.004431%
Proportionate share of the net pension liability	$ 1,179,309	$ 912,500	$ 679,000	$ 511,000
Covered-employee payroll	$ 629,660	$ 554,308	$ 509,368	$ 474,013
Proportionate share of the net pension liability as percentage of covered-employee payroll	187.3%	164.6%	133.3%	107.8%
CalPERS State-wide fiduciary net position	$ 60,998,386,333	$ 55,912,964,588	$ 56,911,065,643	$ 56,940,364,500
CalPERS State-wide total pension liability	$ 84,871,025,628	$ 75,663,026,434	$ 71,651,164,353	$ 68,292,799,349
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions:. For the June 30, 2015 measurement date, the discount rate was changed from 7.50 percent to 7.65 percent. For June 30, 2017 measurement date, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent.

* - Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the year ended June 30, 2015. Future years' information will be displayed up to 10 years as information becomes available.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE LAST TEN YEARS * -
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS)

For The Year Ended June 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.004307%	0.00440%	0.00463%	0.00465%
Proportionate share of the net pension liability	$ 3,983,038	$ 3,554,800	$ 3,115,000	$ 2,718,000
State of California's nonemployer contributing entity's proportionate share of the net pension liability associated with the District	2,356,331	2,024,000	1,648,000	1,642,000
Total District and State of California share of net pension liability	$ 6,339,408	$ 5,578,800	$ 4,763,000	$ 4,360,000
Covered-employee payroll	$ 2,289,488	$ 2,228,524	$ 2,135,947	$ 2,053,862
Proportionate share of the net pension liability as percentage of covered-employee payroll	174.0%	159.5%	145.8%	132.3%
CalSTRS State-wide fiduciary net position	$ 210,290,000,000	$ 189,113,000,000	$ 191,882,000,000	$ 190,474,016,000
CalSTRS State-wide total pension liability	$ 302,769,000,000	$ 269,994,000,000	$ 259,146,000,000	$ 248,911,000,000
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.04%	76.52%

NOTES TO SCHEDULE:

Benefit changes: There were no changes to benefit terms.

Changes in assumptions:. For the June 30, 2017 measurement date, the inflation rate was lowered from 3.0 percent to 2.75 percent, the investment rate was lowered from 7.6 percent to 7.1 percent, and the payroll growth was lowered from 3.75 percent to 3.5 percent.

* - Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the year ended June 30, 2015. Future years' information will be displayed up to 10 years as information becomes available.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

For The Year Ended June 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 87,447	$ 65,669	$ 60,030	$ 53,223
Contribution in relation to the actuarially determined contribution	87,447	65,669	60,030	53,223
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 629,660	$ 554,308	$ 509,368	$ 474,013
Contributions as a percentage of covered-employee payroll	13.89%	11.85%	11.79%	11.23%

NOTES TO SCHEDULE:

Actuarial valuation date	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Discount Rate	7.15%
Inflation	2.75%
Payroll growth	3.00%
Projected Salary Increase	Varies by age, service, and employment type
Investment rate of return	7.15%, net of pension plan investment expense
Asset valuation method	Market value
Remaining amortization period	14-30 years
Mortality	Custom (a)
Post Retirement Benefit Increase	2.0% until purchasing power protection allowance floor applies, 2.75% thereafter

(a) - The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at:
https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf..

* - Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the year ended June 30, 2015. Future years' information will be displayed up to 10 years as information becomes available.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS)

For The Year Ended June 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 287,159	$ 235,028	$ 199,974	$ 170,939
Contribution in relation to the actuarially determined contribution	287,159	235,028	199,974	170,939
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,289,488	$ 2,228,524	$ 2,135,947	$ 2,053,862
Contributions as a percentage of covered-employee payroll	12.54%	10.55%	9.36%	8.32%

NOTES TO SCHEDULE:

Actuarial valuation date	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Discount Rate	7.1%
Inflation	2.75%
Payroll Growth	3.5%
Projected Salary Increase	Varies by age, service, and employment type
Investment Rate of Return	7.1%, net of pension plan investment expense
Asset valuation method	Fair value
Remaining Amortization Period	21 years
Mortality	Custom (a)
Post Retirement Benefit Increase	2.0% simple

(a) - For active employees, mortality is based on the RP-2014 White Collar Employee mortality table set back 2 years. For retirees, mortality is based on the 2016 CalSTRS mortality table for retirees. For disabled participants, mortality is based on the RP-2014 Disabled Retiree mortality table set back 2 years. All tables use 110% of the MP-2016 Ultimate Projection Scale. The combined base tables and projection scale specified contain a margin for expected future mortality improvement.

* - Historical information is required only for measurement periods for which GASB 68 is applicable. GASB 68 was implemented in the year ended June 30, 2015. Future years' information will be displayed up to 10 years as information becomes available.

SUPPLEMENTARY INFORMATION

CUTTEN SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2018

	Cafeteria Fund	County School Facilities Fund	Total Other Governmental Funds
ASSETS			
Cash in County Treasury	$ 4,539	$ 42,971	$ 47,510
Accounts receivable	20,801	163	20,964
Stores inventory	1,017		1,017
Total assets	26,357	43,134	69,491
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 26,357	$ 43,134	$ 69,491
LIABILITIES			
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	-	-	-
FUND BALANCES			
Nonspendable	$ 1,017		$ 1,017
Restricted	25,340	$ 43,134	68,474
Total fund balances	26,357	43,134	69,491
Total liabilities, deferred inflows of resources and fund balances	$ 26,357	$ 43,134	$ 69,491

CUTTEN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR FUNDS (BY OBJECT)

For The Year Ended June 30, 2018

	Cafeteria Fund	County School Facilities Fund	Total Other Governmental Funds
Revenues:			
Federal revenue	$ 103,179		$ 103,179
Other state revenue	7,839		7,839
Other local revenue	43,436	$ 603	44,039
Total revenues	154,454	603	155,057
Expenditures:			
Classified salaries	58,143		58,143
Employee benefits	27,466		27,466
Books and supplies	63,853		63,853
Services and other operating expenses	1,186		1,186
Total expenditures	150,648	-	150,648
Excess (deficiency) of revenues over (under) expenditures	3,806	603	4,409
Other financing sources (uses):			
Operating transfers in	4,053		4,053
Total other financing sources (uses)	4,053	-	4,053
Net change in fund balance	7,859	603	8,462
Fund balances, July 1, 2017	18,498	42,531	61,029
Fund balances, June 30, 2018	$ 26,357	$ 43,134	$ 69,491

CUTTEN SCHOOL DISTRICT

ORGANIZATION

June 30, 2018

The Cutten School District was founded in 1891 and is comprised of approximately 11.5 square miles located in Humboldt County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools, grades kindergarten through sixth.

The Board of Trustees for the fiscal year ended June 30, 2018 was composed of the following members, each with a four year term:

GOVERNING BOARD

Name	Office	Term Expires
Dennis Reinholtsen	President (Appointed 8/14/17)	2018
Verne Skjonsby	Clerk	2020
Rebecca Reece	Member	2020
Mary DeWald	Member	2018
Andrew Sundquist	Member (Appointed 3/12/18)	2018

ADMINISTRATION

Sue Ivey
District Superintendent/Principal

Lauren Bryie
Principal - Ridgewood School

Jeannemarie Baker
Business Manager

CUTTEN SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For The Year Ended June 30, 2018

	Second Period Report		Annual Report	
	Reported	Audited	Reported	Audited
Elementary:				
Kindergarten through Grade 3	339.70	340.11	340.04	340.34
Grades 4 through 6	234.02	234.30	235.22	235.42
Total Elementary School	573.72	574.41	575.26	575.76

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

CUTTEN SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For The Year Ended June 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar *	Status
Kindergarten	36,000	53,950	180	Complied
Grade 1	50,400	51,250	180	Complied
Grade 2	50,400	51,250	180	Complied
Grade 3	50,400	54,175	180	Complied
Grade 4	54,000	54,175	180	Complied
Grade 5	54,000	54,825	180	Complied
Grade 6	54,000	54,828	180	Complied

Districts, including basic aid districts, must maintain their instructional minutes at the requirements pursuant to Education Code Section 46201. This schedule is required for all districts, including basic aid districts.

The District has participated in Longer Day incentive funding. The District did not meet or exceed its local control funding formula target. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Section 46200 through 46206.

* - The District did not use a multitrack calendar.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For The Year Ended June 30, 2018

General Fund	Budget 6/30/2019	For The Year Ended 6/30/2018	6/30/2017	6/30/2016
Revenues and other financial sources	$ 6,137,387	$ 6,088,951	$ 6,118,329	$ 5,714,242
Expenditures	6,170,681	5,968,668	5,386,210	4,787,903
Other uses and transfers out	27,371	4,053	27,589	30,210
Total Outgo	6,198,052	5,972,721	5,413,799	4,818,113
Change in Fund Balance	$ (60,665)	$ 116,230	$ 704,530	$ 896,129
Ending Fund Balance	$ 3,803,577	$ 3,864,242	$ 3,748,012	$ 3,043,482
Available Reserves	$ 3,225,779	$ 3,160,855	$ 3,016,604	$ 2,490,088
Designated for Economic Uncertainties	$ 3,225,779	$ 3,160,855	$ 3,016,604	$ 2,490,088
Undesignated, Unassigned Fund Balance	$ -	$ -	$ -	$ -
Available Reserves as a Percentage of Total Outgo	52.05%	52.92%	55.72%	51.68%
Total Long-Term Debt	$ 6,404,987	$ 6,416,662	$ 4,700,051	$ 3,976,964
Average Daily Attendance at P-2	576	574	594	581

This schedule discloses the District's financial trends by displaying past years' data along with current budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable amount of time.

The combined General Fund balance has increased $820,760 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $60,665 (1.57%). For a district this size, the State recommends available reserves of at least four percent of total expenditures, transfers out, and other uses (total outgo), or $66,000, whichever is greater.

The District did not incur an operating deficit in any of the last three fiscal years, but does anticipate incurring an operating deficit during the 2018-2019 fiscal year. Total long-term debt has increased by $2,439,698 over the past two years, mainly due to the implementation in 2014/15 of GASB 68 and the resulting requirement to recognize the District's proportionate share of the State-wide STRS and PERS net pension liability, along with the implementation of GASB 75 and the resulting increase in the required amount of other post-employment benefits liability to be recognized in the Statement of Net Position.

Regular average daily attendance has decreased by 7 ADA over the past two years. The District anticipates an increase of 2 ADA for the fiscal year 2018-2019.

CUTTEN SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For The Year Ended June 30, 2018

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
There are currently no charter schools under the jurisdiction of the District	

CUTTEN SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2018

	General Fund	Special Reserve Fund
June 30, 2018 Annual Financial and Budget Report Fund Balance	$ 2,613,428	$ 1,250,814
Adjustments and Reclassifications Increasing and (Decreasing) the Fund Balance -		
Reclassify Special Reserve Fund into General Fund	1,250,814	(1,250,814)
June 30, 2018 Audited Financial Statements Fund Balance	$ 3,864,242	$ -

John R. Goff, CPA
Mark G. Wetzel, CPA
Michael R. Cline, CPA

DAVID L. MOONIE & CO., LLP
Certified Public Accountants

Kenneth X. Stringer, CPA
Aaron S. Weiss, CPA
Joshua S. Miller, CPA
Matthew J. Hague, CPA

CUTTEN SCHOOL DISTRICT

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

Board of Trustees
Cutten School District
4182 Walnut Dr.
Cutten, California 95503

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cutten School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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

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

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325 Second Street, Suite 301 ▪ Eureka, CA 95501 ▪ 707.442.1737 (Bus.) ▪ 707.442.5298 (Fax) ▪ *dlm@dlm-cpa.com* E-mail

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-001 and 2018-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-003.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

David L. Moonie + Co.

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
November 15, 2018

John R. Goff, CPA
Mark G. Wetzel, CPA
Michael R. Cline, CPA

DLM

DAVID L. MOONIE & CO., LLP
Certified Public Accountants

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CUTTEN SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cutten School District
4182 Walnut Dr.
Cutten, California 95503

Compliance

We have audited the Cutten School District's (the District) compliance with the requirements specified in the *2017-18 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel, that are applicable to the District's educational programs for the year ended June 30, 2018.

Management's Responsibility

Compliance with the applicable compliance requirements referred to above is the responsibility of the District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements referred to above based on our compliance audit.

Our compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following. The compliance audit included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of the District's compliance.

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In connection with our compliance audit referred to above, we tested the following compliance requirements:

Description	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten Continuance	Yes
Independent study	No (See below)
Continuation education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	Not applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High School	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
After school	Not applicable
Before school	Not applicable
General	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

We did not perform the procedures for independent study because the independent study ADA was under the level that requires testing.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District's educational programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the California Education Audit Appeals Panel's *2017-18 Guide For Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-003. Our opinion on the District's compliance with the requirements specified in the *2017-18 Guide For Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* is not modified with respect to these matters.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the scope of our testing of the District's state compliance and the results of that testing based on the requirements specified in the *2017-18 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

David L. Moonie & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
November 15, 2018

FINDINGS AND QUESTIONED COSTS

Section I – Financial Statement Findings

2018-001: PURCHASE OF GIFT CARDS - INTERNAL CONTROL (CODE 30000)

Criteria

The California Constitution prohibits the gift of public funds. The issuance of gift certificates is considered to be the same as gifting cash.

Condition

During our testing of expenditures, in which we tested 49 percent of total expenditures for goods and services, we noted one instance where $125 was expended on gift cards from the General Fund and $860 was expended from the Student Body fund. It appears these gift cards were used as student awards and staff/volunteer rewards.

Effect

A total of $985 was expended for gift cards.

Cause

It appears that staff and student body advisors and volunteers were not aware that gift cards were considered unallowable expenditures.

Recommendation

We recommend that the District discontinue the purchase of any gift cards or gift certificates with any District funds, including Student Body funds.

Views of Responsible Officials and Planned Corrective Actions

The District agrees and will adhere to the corrective action plan described in the "District's Corrective Action Plan" section immediately following this section of the audit report.

2018-002: STUDENT BODY ACCOUNT - INTERNAL CONTROLS (CODE 30000)

Criteria

Good internal controls over student body accounts include having a second person review the monthly bank reconciliations and bank statements prepared by the account custodian, and documenting that an authorized official has approved expenditures prior to issuance of checks.

Condition

During our testing of the student body cash balance, we noted that Student Body Fund bank reconciliations had no indication that a supervisor had reviewed the monthly bank reconciliations and bank statements. We also noted that many of the check authorization forms were not signed by the school principal. We noted no inappropriate or unallowable expenditures as a result of these exceptions.

Effect

This finding had no effect on the reported balance or expenditures from the account. However, failing to review monthly bank reconciliations and document prior approval of the issuance of checks increases the possibility that errors or fraud could occur and not be detected in a timely manner.

Cause

The District did not have procedures in place to ensure that monthly bank reconciliations and bank statements were submitted to school principals for review, and for ensuring that all student body expenditure request forms were approved and signed by the school principal or another authorized individual.

Recommendation

We recommend that the District establish procedures to ensure that monthly bank reconciliations are reviewed and signed by the school principal or another authorized individual other than the account custodian, and that all student body expenditure requests be approved and signed by the school principal.

Views of Responsible Officials and Planned Corrective Actions

The District agrees and will adhere to the corrective action plan described in the "District's Corrective Action Plan" section immediately following this section of the audit report.

Section II – Federal Award Findings and Questioned Costs

None reported.

Section III – State Award Findings and Questioned Costs

2018-003: ATTENDANCE REPORTING (CODE 10000)

Criteria

Education Code Section 41601 requires that the governing board of each school district shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, to be known as the "first period" report for the first principal apportionment, and (2) the period between July 1 and April 15, inclusive, to be known as the "second period" (P-2) report. Each report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent of Public Instruction.

Condition

The District experienced significant drops in attendance during December 2018 due to an outbreak of the norovirus. The District applied for an emergency allowance of average daily attendance (ADA) for school closure for one day and a material decrease in attendance for one other day during December. When preparing the 2nd period and Annual attendance reports, the District adjusted their claimed ADA for the one school closure day, but did not claim additional apportionment days for the decline in ADA on the non-closure day, due to uncertainty as to the amount that would be approved by the State.

On October 10, 2018 the California Department of Education subsequently approved an allowance of an additional 87.8 days of apportionment for the one day of material decrease in attendance. These additional days of apportionment were not included on the originally filed P-2 and Annual attendance reports. These additional apportionment days equate to ADA of 0.69 for the P-2 report and 0.50 for the Annual report.

Effect

The District can claim additional ADA of 0.69 ADA on the P-2 attendance report and 0.50 ADA on the Annual attendance report. The District's 2017-18 LCFF was based on prior year 2016-17 ADA, so this change won't have an impact on the 2017-18 LCFF funding. However, if 2017-18 ADA is used in the 2018-19 LCFF, this amendment will increase LCFF funding by approximately $4,500.

Cause

In order to avoid the possibility of overstating ADA, the District was waiting for formal approval from the California Department of Education prior to adjusting its ADA for the material decrease in attendance.

Recommendation

We recommend that the District amend the P-2 and Annual attendance reports as follows:

	Originally Reported	Amount to Report on Amended Report	Increase
P-2 Report			
K-3	339.70	340.11	0.41
4-6	234.02	234.30	0.28
Total	573.72	574.41	0.69
Annual Report			
K-3	340.04	340.34	0.30
4-6	235.22	235.42	0.20
Total	575.26	575.76	0.50

Views of Responsible Officials and Planned Corrective Actions

The District agrees and will adhere to the corrective action plan described in the "Corrective Action Plan" section immediately following this section of the audit report.

Cutten School District

4182 Walnut Drive
Eureka, California 95503
(707) 441-3900 • Fax: (707) 441-3906

SUPERINTENDENT/PRINCIPAL
Sue Ivey

CORRECTIVE ACTION PLAN

For The Year Ended June 30, 2018

FINDING 2018-001: PURCHASE OF GIFT CARDS - INTERNAL CONTROL (CODE 30000)

Name of contact person: Sue Ivey, Superintendent

Corrective Action: District has notified all staff, student body advisors and appropriate volunteers that the purchase of gift cards with school funds is not allowed in any circumstance.

Proposed Completion Date: October 17, 2018

FINDING 2018-002: STUDENT BODY ACCOUNT - INTERNAL CONTROLS (CODE 30000)

Name of contact person: Sue Ivey, Superintendent

Corrective Action: District will establish a procedure whereby the monthly bank reconciliation and statement will be reviewed and signed by the Business Manager each month. In addition, all student body expenditure requests will be approved and signed by the Superintendent or Business Manager.

Proposed Completion Date: December 1, 2018

FINDING 2018-003: ATTENDANCE REPORTING (CODE 10000)

Name of contact person: Sue Ivey, Superintendent

Corrective Action: District will amend the P-2 and Annual attendance reports by an increase of .69 and .50, respectively.

Proposed Completion Date: December 14, 2018

CUTTEN SCHOOL
4182 Walnut Drive, Eureka, CA 95503
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CALIFORNIA
DISTINGUISHED SCHOOLS

RIDGEWOOD SCHOOL
2060 Ridgewood Drive, Eureka, CA 95503
Ph: (707) 441-3930 • FAX: (707) 441-3933

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2018

Section I – Financial Statement Findings

2017-001: INTERNAL CONTROLS OVER REPORTING RELATED TO NET PENSION LIABILITIES, DEFERRED OUTFLOWS FOR PENSIONS, AND DEFERRED INFLOWS FOR PENSIONS (CODE 30000)

Condition

The District did not record the June 30, 2017 year-end adjustments necessary to update the balances in net pension liability, deferred outgo related to pensions, and deferred inflows related to pensions.

Recommendation

We recommend that the District engage the services of a specialist to prepare the 2017/18 and all future years' annual net pension liability adjustments and disclosures that are required by governmental accounting standards.

Current Status

Implemented.

Section II – Federal Award Findings and Questioned Costs

2017-002: VERIFICATION OF FREE/REDUCED MEALS APPLICATIONS (CODE 50000)

Condition

The District properly verified the required number of applications, and notified parent/guardians of any change in status, but failed to update their lunch program records to change the status of three students whose status changed due to the verification. One student continued to receive and be claimed for free meals when they should have been reduced, one student continued to receive and be claimed for free meals when they should have been paid, and one student continued to receive and be claimed for reduced meals when they should have been paid. The total improperly claimed meals resulted in an over-reimbursement to the District of $521.

Recommendation

We recommend that the District establish a process to communicate any changes in status of free/reduced students as a result of the verification process to the school secretaries, so that students are properly changed in the cafeteria program records.

Current Status

Implemented.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

[Date of Delivery]

Cutten School District
Eureka, California

Cutten School District
(Humboldt County, California)
General Obligation Bonds, Election of 2018, Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Cutten School District (the "District"), which is located in the County of Humboldt (the "County"), in connection with the issuance by the District of $2,000,000 aggregate principal amount of bonds designated as "Cutten School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series A" (the "Series A Bonds"), representing part of an issue in the aggregate principal amount of $4,000,000 authorized at an election held in the District on November 6, 2018. The Series A Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on December 10, 2018 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series A Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated January 15, 2019, or other offering material relating to the Series A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series A Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series A Bonds and the interest thereon.

4. Interest on the Series A 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. Interest on the Series A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Cutten School District (the "District") in connection with the issuance of $2,000,000 aggregate principal amount of Cutten School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series A (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on December 10, 2018 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated January 15, 2019 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, not later than 9 months following the end of the District's fiscal year (which due date shall be March 31 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than March 31, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent a notice to the MSRB, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year, or a summary thereof.

(ii) The District's average daily attendance for the last completed fiscal year.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation (secured, unsecured and total) of taxable properties within the District for the then current fiscal year, if and to the extent made available by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(v) Information regarding total secured tax charges and delinquencies on taxable properties within the District for the most recent completed fiscal year, if and to the extent provided to the District by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(vi) Information regarding the twenty taxpayers with the greatest combined ownership of taxable property in the District for the then current fiscal year, if and to the extent made available by the County. If and to the extent such information is not made available by the County, a statement to that effect shall be included in the Annual Report.

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b), the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of the credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given in a timely manner, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Humboldt or in U.S. District Court in or nearest to the County of Humboldt. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: January 29, 2019

CUTTEN SCHOOL DISTRICT

By: ____________________________________

ACCEPTED AND AGREED TO:

ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.,
as Dissemination Agent

By: ____________________________________
Managing Principal

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	CUTTEN SCHOOL DISTRICT
Name of Issue:	Cutten School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series A
Date of Issuance:	January 29, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated January 29, 2019. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

CUTTEN SCHOOL DISTRICT

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APPENDIX E

HUMBOLDT COUNTY INVESTMENT POLICIES AND PRACTICES; DESCRIPTION OF INVESTMENT POOL

The following information has been furnished by the Office of the Treasurer-Tax Collector, County of Humboldt (the "County Treasurer"). It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the County Treasurer and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer-Tax Collector of the County of Humboldt, 825 5th Street, Eureka, CA 95501.

Neither the District nor the Underwriter has made an independent investigation of the investments in the investment pool and has made no assessment of the current 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 Treasurer, with the consent of 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.

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COUNTY OF HUMBOLDT

STATEMENT OF INVESTMENT POLICY

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COUNTY OF HUMBOLDT

STATEMENT OF INVESTMENT POLICY

Under the authority delegated to the County Treasurer by the Board of Supervisors to invest and reinvest all of the funds in the County Treasury and, in accordance with the California Government Code, the following sets forth the investment policy of the County of Humboldt.

1. *POLICY STATEMENT*

The purpose of this Investment Policy (Policy) is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the stewardship of the Humboldt County Pooled Investment Fund. Each transaction and the entire portfolio must comply with California Government Code Section 53601, et. seq., Section 53635, et. seq., and this policy. All portfolio activities will be judged by the standards of the Policy and ranking of investment objectives.

2. *STANDARDS OF CARE*

The County Treasurer is the Trustee of the Pooled Investment Fund and, therefore, a fiduciary subject to the prudent investor standard. The County Treasurer and employees involved in the investment process shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with California State law. When investing, purchasing, acquiring, exchanging, selling and managing public funds, the County Treasurer shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in this Policy.

3. *INVESTMENT OBJECTIVES*

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for government purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance:

[a] SAFETY OF CAPITAL - The preservation of capital is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities default or erosion of market value.

[b] LIQUIDITY - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to ensure the County Treasurer meets all operating requirements, which may be reasonably anticipated in any depositor's fund.

[c] MAXIMUM RATE OF RETURN - As the third objective, the Pooled Investment Fund should be designed to attain a rate of return through budgetary and economic cycles, consistent with the risk limitations, prudent investment principles and cash flow characteristics identified herein.

4. *IMPLEMENTATION*

In order to provide direction to those responsible for management of the Pooled Investment Fund, the County Treasurer has established this Policy and presented it to the Board of Supervisors, and will provide the report to the legislative body of local agencies that participate in the Pooled Investment Fund.

The Policy defines investable funds; authorized instruments; credit quality required; maximum maturities and concentrations; collateral requirements; qualifications of broker-dealers and financial institutions doing business with, or on behalf of, the County; limits on gifts and honoraria; the manner of appropriating costs; and the criteria to request withdrawal of funds.

5. *PARTICIPANTS*

[a] STATUTORY PARTICIPANTS - General Participants are those government agencies within the County of Humboldt for which the Humboldt County Treasurer is statutorily designated as the Custodian of Funds.

[b] VOLUNTARY PARTICIPANTS - Other local agencies, such as Special Districts and Cities for which the Treasurer is not the statutory designated Custodian of Funds, may participate in the Pooled Investment Fund. Such participation is subject to the consent of the County Treasurer and must be in accordance with the California Code Section 53684, et seq. The agency must adopt a resolution authorizing the investment into the Humboldt County Pooled Investment Fund and accept the County of Humboldt Investment Policy.

6. *AUTHORIZED PERSONS*

The Humboldt County Board of Supervisors, by ordinance, has delegated investment authority for the Humboldt County Investment Program to the Treasurer-Tax Collector. Daily management responsibility of the investment program may be assigned to the Assistant Treasurer. Treasurer staff designated by the County Treasurer are also authorized to initiate investment transactions.

All investment decisions shall be made with care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person acting as a trustee in a like capacity and familiarity would use in the conduct of funds of a like character, and with like aims, to safeguard the principal and maintain the liquidity needs of depositors.

7. *AUTHORIZED INVESTMENTS*

Authorized investments shall match the general categories established by the California Government Code Sections 53601, et. seq. Authorized investments shall also include, in accordance with California Government Code Section 16429.1, investments into the State Local Agency Investment Fund (LAIF). No investment shall be made in any security with a maturity greater than five years, unless the Board of Supervisors has granted express authority to make that investment. That express authority has now been granted exclusively to the Headwaters Investment Portfolio which may invest in U.S. Treasuries, Federal Agencies, Municipal Securities, and Negotiable Certificates of Deposit with maturities beyond five years.

Municipal Securities with maturities beyond five years may also be purchased to provide debt financing for Humboldt County capital improvement projects; provided that (1) prior to such purchase, the Board of Supervisors shall have adopted a resolution stating its intention to refund the Municipal Securities from the Pooled Investment Fund by a public offering of long term lease or other debt instruments, and (2) the Municipal Securities provide the registered owner the right to tender the Municipal Securities for purchase not later than five years after the date of purchase.

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated "AA" or better by an NRSRO and shall not exceed 30 percent of the agency's moneys that may be invested pursuant to this section.

As the California Government Code is amended, this Policy shall likewise become amended.

8. PROHIBITED INVESTMENTS

No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

9. *INVESTMENT CRITERIA*

Investment Type	Maximum Maturity	Maximum % of Pool	Rating
U.S. Treasury and Agency Securities (§53601 (b & f))	5 years (30 years for Headwaters Investment Portfolio)	100	N/A
Bonds and Notes issued by local agencies (§53601 (e))	5 years (30 years for Headwaters Investment Portfolio)	100	N/A
Registered State Warrants and Municipal Notes and Bonds (§53601 c, d & e))	5 years (30 years for Headwaters Investment Portfolio and Debt Financing of County Capital Improvement Projects)	100	N/A
Bankers' Acceptances (See Section 10) (§53601 (g))	180 days	40	N/A
Commercial Paper (See Section 11) (§53601 (h) and (§53635 (a))	270 days	40	A-1/F-1/P-1
Negotiable Certificates of Deposit (§53601 (i))	5 years (30 years for Headwaters Investment Portfolio)	30	N/A
Repurchase Agreements (See Section 12) (§53601 (j))	1 year	100	N/A
Reverse Repurchase Agreements and Securities Lending Agreements (See Section 12) (§53601 (j))	92 days	20	N/A
Medium Terms Corporate Notes (§53601 (k))	5 years	30	A or better
Supranationals – Washington dollar denominated IBRD, IFC or IAD	5 years	30	AA or better
Money Market Mutual Funds (§53601(k))	N/A	20	Aaa & AAAm or Section 13
CAMP	N/A	As limited by CAMP	
Joint Powers Agreement (See Section 14) (§53601 (p))	N/A	20	N/A
Local Agency Investment Fund (LAIF) (§16429.1)	N/A	As limited by LAIF	N/A
Investment Trust of California (CalTRUST) (§6509.7)	N/A	As limited by CalTRUST	N/A
Collateralized Time Deposits (§53649 et. seq.)	5 years	N/A	N/A

10. ***BANKERS' ACCEPTANCE***

No more than 30 percent of the agency's surplus funds may be invested in Bankers' Acceptances of any one commercial bank pursuant to this section.

11. ***COMMERCIAL PAPER***

All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's Corporation, a "P-1" rating by Moody's Investor Service, or a "F-1" rating by Fitch Financial Services issued by corporations operating within the United States, and having total assets in excess of fine hundred million dollars (500,000,000.00). As used in this policy, "corporation" includes a limited liability company.

No more than 10% of the total assets of the investments held by a local agency may be invested in any one issuer's Commercial Paper.

12. ***REPURCHASE AND REVERSE REPURCHASE AGREEMENTS / SECURITIES LENDING AGREEMENTS***

Under California Government Code section 53601 (j) and section 53635, the County Treasurer may enter into repurchase agreements and reverse repurchase agreements / securities lending agreements. The maximum maturity of repurchase agreements shall be one year. This maximum maturity of a reverse repurchase agreement shall be 92 days, and the proceeds of reverse repurchase agreements / securities lending agreements may not be invested beyond the expiration of the agreement. The reverse repurchase agreements / securities lending agreements must be "matched to maturity."

13. ***MUTUAL FUNDS AND MONEY MARKET MUTUAL FUNDS***

A Mutual Fund managed by an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations authorized by Government Code Section 53601subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and with assets under management in excess of five hundred million dollars ($500,000,000.00).

No more than 10% of the agency's funds may invested in any one Mutual Fund.

14. ***COLLATERAL***

Repurchase agreements executed with approved broker-dealers must be collateralized with either; (1) U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily; or (2) money market instruments which are on the approved list of the County and which meet the qualifications of the Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted. For purposes of investing the daily excess bank balance, the collateral provided by the County's depository bank can include mortgage-backed securities valued at 100%.

15. ***CRITERIA FOR THE SELECTION OF BROKER/DEALERS AND FINANCIAL INSTITUTIONS***

All transactions initiated on behalf of the Pooled Investment Fund and Humboldt County shall be executed through either government security dealers reporting as primary dealers to the Market Reports Division of the Federal Reserve Bank of New York, financial institutions that directly issue their own securities which have been placed on the Approved List of Broker/Dealers and Financial institutions or broker/dealers in the State of California approved by the County Treasurer based on the reputation and expertise of the company and individuals employed. All broker/dealers and financial institutions must have an investment grade rating from at least one national rating service, if applicable.

Broker/dealers and financial institutions which have exceeded the political contribution limits within a four year period to the County Treasurer or any member of the governing board of a local agency or any candidate for those offices, are prohibited from the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer or financial institution will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials to qualify for the Approved List of Broker/Dealers and Financial Institutions.

Each broker/dealer and financial institution authorized to do business with Humboldt County shall at least annually, supply the County Treasurer with financial statements.

16. ***WITHDRAWAL REQUESTS***

[a] STATUTORY PARTICIPANTS - The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the Humboldt County Treasurer at a one dollar net asset value. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the County Treasurer. In accordance with California Government Code Section 27136, et. seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

[b] VOLUNTARY PARTICIPANTS - For outside participants who utilize Government Code Section 53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request, with the exception of normal cash flow withdrawals, shall submit the request for withdrawal to the County Treasurer to determine the timing of the payout, in order that the withdrawal will not adversely affect the interests of the other depositors in the County Treasury Investment Fund. Withdrawals will be paid based upon the market value of the Pooled Investment Fund. If the Treasurer deems appropriate, the deposits may be returned at any time.

17. *DELIVERY & SAFEKEEPING*

Delivery of all securities shall be either to the County Treasurer or to a third party custodian. No securities shall be held in the safekeeping of a broker / dealer unless it is collateral for a reverse repurchase agreement.

18. *APPORTIONMENT OF INTEREST & COSTS*

Interest shall be apportioned to all pool participants quarterly, based upon the ratio of the average daily balance of each individual fund to the average daily balance of all funds in the Investment Pool. The amount of interest apportioned shall be determined using the accrual method of accounting, whereby interest will be apportioned for the quarter in which it was actually earned. The Treasurer may deduct from the gross interest earnings those budgeted administrative costs relating to the management of the Treasury, including salaries and other compensation, banking costs, equipment costs, supplies, the cost of information services, audit and any other costs as provided by Section 27013 of the Government Code. The deduction shall be adjusted to actual cost per quarter of the fiscal year.

19. *REVIEW, MONITORING AND REPORTING OF THE PORTFOLIO*

Quarterly, the County Treasurer will provide to the Board of Supervisors, and to any local agency participant a report on the Pooled Investment Fund. The report will list the type of investments, name of issuer, maturity date, par amount and dollar amount of the investment. For the total Pooled Investment Fund, the report will list average maturity, the market value and the pricing source. Additionally, the report will show any funds under the management of contracting parties, a statement of compliance to the Investment Policy and a statement of the pooled fund's ability to meet expected expenditure requirements for the next six months.

20. *LIMITS ON HONORARIA, GIFTS AND GRATUITIES*

In accordance with California Government Code Section 27133 (d), et. seq., this Policy hereby establishes limits for the County Treasurer, and individuals responsible for management of the portfolios. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar 12 month time period from a broker/dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the County Treasurer and complete the appropriate state forms.

No individual may receive aggregate gifts, honoraria and gratuities in a calendar twelve (12) month time period in excess of the limits established by the Fair Political Practices Commission (FPPC).

21. *AUDITS*

The Humboldt County Auditor-Controller shall initiate an annual audit to ensure the County's Investment Portfolio is in compliance with its policy and state law.

22. *EXCEPTION TO POLICY*

The County Treasurer, except as prohibited by state law, can make exceptions to the investment purchasing limits when he deems it in the best interest of all of the pool participants. All exceptions will be reported in the quarterly report. Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will become effective immediately.

23. *INVESTMENT OF BOND PROCEEDS*

The County Treasurer shall invest bond proceeds using the standards of the County of Humboldt's Investment Policy. The bond proceeds will be invested in securities permitted by the bond documents. If the bond documents are silent, the bond proceeds will be invested in securities permitted by the County of Humboldt's Investment Policy.

24. *NUCLEAR FREE POLICY*

The County Treasurer shall act in accordance with the 'Nuclear Free Humboldt County Ordinance'.

25. *GLOSSARY OF TERMS*

ACCRUED INTEREST
Interest that has accumulated but has not yet been paid from the most recent interest payment date or issue date to a certain date.

BANKERS' ACCEPTANCES
A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

BASIS POINT
One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 4.25% to 4.50%, the difference is referred to as a 25-basis-point increase.

BOOK VALUE
The value of a held security as carried in the records of an investor. May differ from current market value of the security.

BROKER/DEALER
Any person licensed to engage in the business of effecting transactions in securities in this state for the account of others or for her/his own account. Broker/dealer also includes a person licensed to engage in the regular business of issuing or guaranteeing options with regard to securities not of her/his own issue.

COMMERCIAL PAPER
Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

COUPON RATE
The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CREDIT RISK
The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CURRENT YIELD
The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSIP NUMBERS
CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

DISCOUNT
The amount by which the par value of a security exceeds the price paid for the security.

EARNINGS APPORTIONMENT
The quarterly interest distribution to the Pool Participants where the actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool.

FAIR VALUE
The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FEDERAL FUNDS
Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend Fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

FEDERAL FUNDS RATE
Interest rate at which banks lend federal funds to each other.

FEDERAL OPEN MARKET COMMITTEE (FOMC)
This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FLOATING RATE NOTE
A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, LIBOR, etc.).

INTEREST
The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

LOCAL AGENCY INVESTMENT FUND (LAIF)
The State of California investment pool in which money of local agencies is pooled as a method for managing and investing local funds.

MARKET VALUE
The price at which a security is trading and could presumably be purchased or sold.

MATURITY
The date upon which the principal of a security becomes due and payable to the holder.

MONEY MARKET MUTUAL FUND
A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

PAR
The stated maturity value, or face value, of a security.

PAR VALUE
The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

PREMIUM
The amount by which the price paid for a security exceeds the security's par value.

PRIME RATE
A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

REPURCHASE AGREEMENT OR RP OR REPO
An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RP's when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

SECURITIES LENDING
A transaction wherein the Treasurer's Pool transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

SETTLEMENT DATE
The date on which the purchase of sale of securities is executed. For example, in a purchase transaction, the day securities are physically delivered or wired to the buyer in exchange for cash is the settlement date.

TRADE DATE
The date and time corresponding to an investor’s commitment to buy or sell a security.

WEIGHTED AVERAGE MATURITY
The remaining average maturity of all securities held in a portfolio.

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Summary
September 30, 2018

Humboldt County
825 Fifth Street
Eureka, CA 95501
(707) 476-2450

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Certificates of Deposit	3,932,000.00	3,932,000.00	3,932,000.00	1.26	2,190	899	2.095	2.124
Money Markets	31,871,884.11	31,871,884.11	31,871,884.11	10.24	1	1	2.020	2.048
Medium Term Notes	3,000,000.00	3,000,000.00	3,000,000.00	0.96	1,826	1,578	2.712	2.750
Federal Agency Coupon Securities	255,229,000.00	254,065,527.49	254,671,477.92	81.79	1,522	821	1.689	1.713
Treasury Coupon Securities	15,000,000.00	14,945,784.00	14,895,674.82	4.78	1,412	616	1.564	1.586
Municipal Bonds	3,000,000.00	2,986,649.70	2,986,649.70	0.96	712	527	2.184	2.215
Investments	**312,032,884.11**	**310,801,845.30**	**311,357,686.55**	**100.00%**	**1,364**	**733**	**1.737**	**1.761**

Total Earnings	September 30 Month Ending
Current Year	383,793.57
Average Daily Balance	**294,334,940.34**
Effective Rate of Return	**1.59%**

John Bartholomew, Treasurer - Tax Collector

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Certificates of Deposit												
02006LVL4	10949	Ally Bank FDIC 57803		11/05/2015	245,000.00	245,000.00	245,000.00	1.600		1.600	35	11/05/2018
02587DF86	10947	AMEX Centurion FDIC 2747		11/04/2015	245,000.00	245,000.00	245,000.00	2.250		2.250	765	11/04/2020
02587CCC2	10910	AMEX Savings Bank FDIC 35328		10/29/2014	245,000.00	245,000.00	245,000.00	2.200		2.200	387	10/23/2019
14042RBQ3	10946	Capital One NA FDIC 4297		11/04/2015	245,000.00	245,000.00	245,000.00	2.150		2.150	765	11/04/2020
140420QS2	10860	Capital One Bank FDIC 33954		11/12/2014	248,000.00	248,000.00	248,000.00	2.100		2.100	407	11/12/2019
17284C2Z6	10858	Citi Bank FDIC 35575		11/13/2014	245,000.00	245,000.00	245,000.00	2.650		2.650	1,141	11/15/2021
254672WG9	10948	Discover Bank FDIC 5649		11/04/2015	245,000.00	245,000.00	245,000.00	2.200		2.200	765	11/04/2020
29266NE29	10861	Enerbank USA 76066		11/25/2014	245,000.00	245,000.00	245,000.00	2.600		2.600	1,516	11/25/2022
33648FJL0	10787	First State Bank WV FDIC 14361		02/12/2014	248,000.00	248,000.00	248,000.00	1.650		1.650	134	02/12/2019
40434AQA0	10868	HSBC Bank		12/09/2014	245,000.00	245,000.00	245,000.00	2.500		2.500	2,261	12/09/2024
48125Y2R4	11039	JP Morgan Chase Bank FDIC 628		06/10/2016	245,000.00	245,000.00	245,000.00	2.000		2.000	2,079	06/10/2024
628825JH5	10840	NCB Bank		02/11/2014	248,000.00	248,000.00	248,000.00	1.650		1.650	133	02/11/2019
71270QKT2	10869	Peoples United Bank		12/10/2014	248,000.00	248,000.00	248,000.00	1.900		1.900	435	12/10/2019
795450WV3	10952	Sallie Mae Bank FDIC 58177		11/04/2015	245,000.00	245,000.00	245,000.00	2.200		2.200	765	11/04/2020
8562843L6	10865	Bank of India NY FDIC 33682		12/05/2014	245,000.00	245,000.00	245,000.00	3.100		3.100	2,257	12/05/2024
94986TTT4	10926	Wells Fargo		04/30/2015	245,000.00	245,000.00	245,000.00	1.250		1.250	577	04/30/2020
		Subtotal and Average	**3,932,000.00**		**3,932,000.00**	**3,932,000.00**	**3,932,000.00**			**2.124**	**899**	
Money Markets												
6002000	10106	CAMP			29,400,258.15	29,400,258.15	29,400,258.15	2.060		2.060	1	
9912000	10060	LAIF			1,079,121.82	1,079,121.82	1,079,121.82	1.900		1.900	1	
7512003	10084	LAIF			1,392,504.14	1,392,504.14	1,392,504.14	1.900		1.900	1	
993155761	10879	Umpqua Bank			0.00	0.00	0.00	0.440		0.440	1	
		Subtotal and Average	**13,254,620.04**		**31,871,884.11**	**31,871,884.11**	**31,871,884.11**			**2.048**	**1**	
Medium Term Notes												
89236TES0	11124	Toyota		01/26/2018	3,000,000.00	3,000,000.00	3,000,000.00	2.750		2.750	1,578	01/26/2023
		Subtotal and Average	**3,000,000.00**		**3,000,000.00**	**3,000,000.00**	**3,000,000.00**			**2.750**	**1,578**	
Federal Agency Coupon Securities												
478160BS2	11073	Abbott Labs		11/23/2016	3,000,000.00	3,000,588.00	2,982,055.01	1.650		1.900	882	03/01/2021
3133EDVE9	10855	Federal Farm Credit Bank		11/05/2014	2,000,000.00	2,020,196.00	2,002,546.49	1.900		1.766	352	09/18/2019
3133EEHF0	10888	Federal Farm Credit Bank		01/06/2015	2,000,000.00	2,016,086.00	2,005,092.58	1.800		1.623	400	11/05/2019
3133EFLZ8	10939	Federal Farm Credit Bank		10/28/2015	2,000,000.00	1,993,298.00	2,000,000.00	1.460		1.460	758	10/28/2020
3133ECGV0	10971	Federal Farm Credit Bank		12/02/2015	2,000,000.00	2,004,932.00	1,997,673.63	1.440		1.520	520	03/04/2020
3133EFWD5	11000	Federal Farm Credit Bank		01/25/2016	2,000,000.00	1,996,240.00	2,000,000.00	1.230		1.230	116	01/25/2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3133EFXM4	11006	Federal Farm Credit Bank		02/03/2016	2,000,000.00	1,993,868.00	2,000,000.00	1.520		1.520	490	02/03/2020
3133EFZT7	11011	Federal Farm Credit Bank		02/24/2016	2,000,000.00	1,995,984.00	2,000,000.00	1.400		1.400	511	02/24/2020
3133EFH42	11014	Federal Farm Credit Bank		03/02/2016	1,004,000.00	1,004,000.00	1,004,000.00	1.875		1.875	1,248	03/02/2022
3133EF5T0	11027	Federal Farm Credit Bank		05/03/2016	2,000,000.00	1,986,228.00	2,000,000.00	1.700		1.700	945	05/03/2021
3133EFW52	11028	Federal Farm Credit Bank		05/03/2016	4,000,000.00	3,985,616.00	4,003,922.67	1.150		1.050	273	07/01/2019
3133EGCA1	11037	Federal Farm Credit Bank		06/03/2016	3,000,000.00	2,986,248.00	2,998,000.00	1.060		1.128	245	06/03/2019
3133EGEV3	11041	Federal Farm Credit Bank		06/14/2016	5,000,000.00	4,973,700.00	5,000,000.00	1.620		1.620	987	06/14/2021
3133EF5Y9	11046	Federal Farm Credit Bank		05/04/2016	2,000,000.00	1,994,438.00	2,000,000.00	1.470		1.470	581	05/04/2020
3133EGTM7	11049	Federal Farm Credit Bank		09/08/2016	5,000,000.00	4,966,145.00	5,000,000.00	1.375		1.375	708	09/08/2020
3133EGSA4	11050	Federal Farm Credit Bank		09/15/2016	3,000,000.00	2,982,345.00	3,000,000.00	1.320		1.320	693	08/24/2020
3133EGVE2	11052	Federal Farm Credit Bank		09/21/2016	3,000,000.00	2,984,325.00	3,000,000.00	1.070		1.070	171	03/21/2019
3133EGXX8	11060	Federal Farm Credit Bank		10/13/2016	3,000,000.00	2,958,006.00	2,998,875.00	1.340		1.355	743	10/13/2020
3133EGYB5	11068	Federal Farm Credit Bank		10/12/2016	5,000,000.00	4,911,600.00	5,000,000.00	1.540		1.540	1,107	10/12/2021
3133EGS30	11080	Federal Farm Credit Bank		12/06/2016	3,000,000.00	3,000,756.00	3,000,000.00	2.000		2.000	1,162	12/06/2021
3133EGW92	11084	Federal Farm Credit Bank		12/19/2016	3,000,000.00	3,004,977.00	3,000,000.00	1.500		1.500	444	12/19/2019
3133EG2P9	11090	Federal Farm Credit Bank		12/29/2016	5,000,000.00	5,004,990.00	5,000,000.00	2.320		2.320	1,185	12/29/2021
3133EG5D3	11102	Federal Farm Credit Bank		01/27/2017	5,000,000.00	5,057,755.00	5,000,000.00	2.030		2.030	1,214	01/27/2022
3133EHX32	11109	Federal Farm Credit Bank		11/28/2017	3,000,000.00	3,000,000.00	3,000,000.00	2.320		2.320	1,519	11/28/2022
3133EJKW8	11130	Federal Farm Credit Bank		04/16/2018	3,000,000.00	3,000,000.00	3,000,000.00	2.420		2.420	563	04/16/2020
313383HU8	10928	Federal Home Loan Bank		06/12/2015	2,000,000.00	2,012,742.00	2,003,040.00	1.750		1.670	620	06/12/2020
3130A66T9	10933	Federal Home Loan Bank		10/16/2015	1,000,000.00	1,004,100.00	1,005,493.62	1.625		1.340	711	09/11/2020
313380FB8	10934	Federal Home Loan Bank		10/16/2015	2,000,000.00	1,999,804.00	2,003,798.55	1.375		1.180	347	09/13/2019
3130A6PE1	10938	Federal Home Loan Bank		10/28/2015	1,250,000.00	1,241,271.25	1,250,000.00	1.600		1.600	758	10/28/2020
313383HU8	10954	Federal Home Loan Bank		11/09/2015	2,000,000.00	2,012,742.00	1,999,869.33	1.750		1.753	620	06/12/2020
3130A6UX3	10986	Federal Home Loan Bank		12/28/2015	2,000,000.00	2,005,650.00	2,000,000.00	1.500		1.500	270	06/28/2019
313383HU8	10991	Federal Home Loan Bank		01/08/2016	2,000,000.00	2,012,742.00	2,004,801.51	1.750		1.625	620	06/12/2020
3130A6XY8	11003	Federal Home Loan Bank		01/27/2016	4,000,000.00	4,002,052.00	4,000,000.00	2.000		2.000	849	01/27/2021
3130A9DD0	11054	Federal Home Loan Bank		09/29/2016	3,000,000.00	2,978,676.00	2,999,701.58	1.050		1.057	424	11/29/2019
3130A5Z77	11059	Federal Home Loan Bank		10/07/2016	2,100,000.00	2,119,826.10	2,125,567.35	1.830		1.205	667	07/29/2020
313380WG8	11064	Federal Home Loan Bank		11/10/2016	3,000,000.00	2,987,235.00	3,004,104.16	1.375		1.305	711	09/11/2020
3130AA2Y3	11070	Federal Home Loan Bank		11/23/2016	4,000,000.00	3,994,896.00	4,000,000.00	1.830		1.830	1,149	11/23/2021
3130AABG2	11074	Federal Home Loan Bank		11/30/2016	3,000,000.00	3,024,639.00	3,000,000.00	1.875		1.875	1,155	11/29/2021
3130AA2S6	11075	Federal Home Loan Bank		11/30/2016	3,000,000.00	2,996,142.00	3,000,000.00	1.800		1.800	1,152	11/26/2021
3130A9ZU8	11076	Federal Home Loan Bank		11/30/2016	3,000,000.00	2,978,220.00	3,000,000.00	1.650		1.650	1,152	11/26/2021
3130A8QS5	11078	Federal Home Loan Bank		12/02/2016	3,000,000.00	2,951,370.00	2,932,217.33	1.125		1.915	1,017	07/14/2021
3130AAL55	11098	Federal Home Loan Bank		01/26/2017	3,000,000.00	3,001,320.00	3,000,000.00	2.000		2.000	1,029	07/26/2021

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3130AC4G6	11108	Federal Home Loan Bank		08/29/2017	1,000,000.00	1,000,309.00	1,000,000.00	2.640		2.640	2,523	08/28/2025
313379RB7	11110	Federal Home Loan Bank		11/30/2017	3,000,000.00	2,993,499.61	2,993,499.61	1.875		1.950	984	06/11/2021
313383HU8	11111	Federal Home Loan Bank		11/30/2017	3,000,000.00	2,993,557.89	2,993,557.89	1.750		1.860	620	06/12/2020
3130A66T9	11112	Federal Home Loan Bank		12/28/2017	3,000,000.00	2,977,025.86	2,977,025.86	1.625		2.020	711	09/11/2020
3130A8QS5	11113	Federal Home Loan Bank		12/28/2017	3,000,000.00	2,917,547.59	2,917,547.59	1.125		2.080	1,017	07/14/2021
3130ADJH6	11125	Federal Home Loan Bank		01/29/2018	3,000,000.00	3,000,000.00	3,000,000.00	2.100		2.100	485	01/29/2020
3130A66T9	11127	Federal Home Loan Bank		01/31/2018	3,000,000.00	2,965,371.06	2,965,371.06	1.625		2.222	711	09/11/2020
313383HU8	11128	Federal Home Loan Bank		04/10/2018	3,000,000.00	2,963,338.01	2,963,338.01	1.750		2.380	620	06/12/2020
3130ADYY2	11129	Federal Home Loan Bank		04/13/2018	3,000,000.00	3,000,000.00	3,000,000.00	2.400		2.401	653	07/15/2020
3137EADK2	10929	Federal Home Loan Mtg Corp		07/10/2015	2,000,000.00	1,997,466.00	1,997,314.17	1.250		1.389	304	08/01/2019
3137EADK2	10932	Federal Home Loan Mtg Corp		09/18/2015	2,000,000.00	1,997,466.00	1,996,505.96	1.250		1.430	304	08/01/2019
3134G44U9	10997	Federal Home Loan Mtg Corp		01/22/2016	1,000,000.00	1,000,924.00	1,000,432.26	1.500		1.480	690	08/21/2020
3134G8KU2	11012	Federal Home Loan Mtg Corp		02/26/2016	2,000,000.00	1,994,106.00	2,000,000.00	1.500		2.091	879	02/26/2021
3134G9RY5	11040	Federal Home Loan Mtg Corp		06/13/2016	3,000,000.00	2,997,210.00	3,000,000.00	1.375		1.375	438	12/13/2019
3134G9QA8	11045	Federal Home Loan Mtg Corp		06/30/2016	3,000,000.00	2,980,077.00	3,000,000.00	1.800		1.800	1,003	06/30/2021
3134G3D64	11058	Federal Home Loan Mtg Corp		10/07/2016	1,500,000.00	1,501,068.00	1,509,813.74	1.550		1.214	690	08/21/2020
3137EAEC9	11062	Federal Home Loan Mtg Corp		10/19/2016	3,000,000.00	2,945,727.00	2,979,412.07	1.125		1.362	1,046	08/12/2021
3137EAEC9	11067	Federal Home Loan Mtg Corp		11/15/2016	3,000,000.00	2,945,727.00	2,950,302.92	1.125		1.702	1,046	08/12/2021
3134GAZF4	11069	Federal Home Loan Mtg Corp		11/25/2016	2,000,000.00	1,999,988.00	2,000,000.00	1.750		1.750	878	02/25/2021
3134G46P8	11079	Federal Home Loan Mtg Corp		12/08/2016	1,000,000.00	1,000,404.00	1,000,097.67	1.350		1.340	253	06/11/2019
3134GAH64	11097	Federal Home Loan Mtg Corp		01/26/2017	3,000,000.00	2,999,667.00	3,000,000.00	1.500		1.500	298	07/26/2019
3134GB6E7	11115	Federal Home Loan Mtg Corp		12/29/2017	5,000,000.00	5,000,000.00	5,000,000.00	2.450		2.450	1,550	12/29/2022
3134GSAZ8	11116	Federal Home Loan Mtg Corp		12/29/2017	1,000,000.00	1,000,000.00	1,000,000.00	2.250		2.250	1,184	12/28/2021
3135G0A78	10902	Federal National Mtg Assn		03/12/2015	2,000,000.00	2,011,550.00	1,998,245.69	1.625		1.686	477	01/21/2020
3136G2S57	10945	Federal National Mtg Assn		11/25/2015	2,000,000.00	2,000,350.00	2,000,000.00	1.700	AAA	1.700	786	11/25/2020
3136G2ST5	10960	Federal National Mtg Assn		11/25/2015	2,000,000.00	1,998,668.00	2,000,000.00	1.750		1.750	786	11/25/2020
3136G2TB3	10961	Federal National Mtg Assn		11/25/2015	1,275,000.00	1,275,052.27	1,275,000.00	1.800		1.800	786	11/25/2020
3135G0F73	10970	Federal National Mtg Assn		11/30/2015	2,000,000.00	1,998,114.00	1,982,414.00	1.500		1.870	791	11/30/2020
3136G1EE5	10976	Federal National Mtg Assn		12/10/2015	1,000,000.00	1,001,898.00	999,617.94	1.500		1.539	331	08/28/2019
3135G0D75	10979	Federal National Mtg Assn		12/15/2015	2,000,000.00	2,005,498.00	1,992,711.49	1.500		1.690	630	06/22/2020
3136G3KW4	11026	Federal National Mtg Assn		04/27/2016	2,100,000.00	2,092,818.00	2,100,000.00	1.450		1.450	574	04/27/2020
3135G0K69	11032	Federal National Mtg Assn		05/23/2016	5,000,000.00	4,955,105.00	4,966,851.93	1.250		1.480	948	05/06/2021
3136G3MK8	11033	Federal National Mtg Assn		05/25/2016	1,000,000.00	993,212.00	1,000,000.00	1.350		1.350	420	11/25/2019
3135G0N82	11048	Federal National Mtg Assn		09/07/2016	3,000,000.00	2,961,621.00	2,999,817.98	1.250		1.252	1,051	08/17/2021
3136G35Q4	11051	Federal National Mtg Assn		09/15/2016	4,000,000.00	3,926,872.00	4,000,000.00	1.550		1.550	1,080	09/15/2021
3136G35Y7	11053	Federal National Mtg Assn		09/28/2016	5,000,000.00	4,898,035.00	5,000,000.00	1.550		1.550	1,093	09/28/2021

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Details - Investments
September 30, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3136G4AH6	11055	Federal National Mtg Assn		09/30/2016	5,000,000.00	4,913,980.00	5,000,000.00	1.625		1.625	1,095	09/30/2021
3136G4AB9	11056	Federal National Mtg Assn		09/30/2016	3,000,000.00	2,952,753.00	3,000,000.00	1.500		1.500	821	12/30/2020
3136G4FW8	11063	Federal National Mtg Assn		11/07/2016	3,000,000.00	2,973,351.00	3,000,000.00	1.300		1.300	584	05/07/2020
3135G0N82	11065	Federal National Mtg Assn		11/10/2016	3,000,000.00	2,961,621.00	2,972,343.95	1.250		1.570	1,051	08/17/2021
3135G0Q89	11066	Federal National Mtg Assn		11/15/2016	3,000,000.00	2,971,941.00	2,965,190.53	1.375		1.722	1,102	10/07/2021
3136G4HL0	11077	Federal National Mtg Assn		11/30/2016	5,000,000.00	5,000,280.00	5,000,000.00	1.800		1.800	968	05/26/2021
3135G0R39	11085	Federal National Mtg Assn		12/22/2016	3,000,000.00	2,976,303.00	2,975,430.53	1.000		1.560	388	10/24/2019
3135G0D75	11095	Federal National Mtg Assn		01/10/2017	3,000,000.00	3,008,247.00	2,993,008.70	1.500		1.620	630	06/22/2020
3135G0R39	11096	Federal National Mtg Assn		01/10/2017	3,000,000.00	2,976,303.00	2,978,857.71	1.000		1.481	388	10/24/2019
3135G0T60	11114	Federal National Mtg Assn		12/28/2017	3,000,000.00	2,971,468.07	2,971,468.07	1.500		1.990	668	07/30/2020
3135G0T94	11122	Federal National Mtg Assn		01/23/2018	5,000,000.00	4,974,788.98	4,974,788.98	2.375		2.495	1,571	01/19/2023
3135G0T60	11126	Federal National Mtg Assn		01/31/2018	3,000,000.00	2,960,752.80	2,960,752.80	1.500		2.176	668	07/30/2020
459058FC2	11061	Internation Bank		04/26/2016	2,000,000.00	1,988,718.00	2,000,000.00	1.250		1.228	207	04/26/2019
45950VLK0	11121	INTL FINANCE CORP		01/22/2018	3,000,000.00	3,000,000.00	3,000,000.00	2.000		2.000	1,567	01/15/2023
		Subtotal and Average	**256,268,481.32**		**255,229,000.00**	**254,065,527.49**	**254,671,477.92**			**1.713**	**821**	
Treasury Coupon Securities												
912828XE5	10956	U.S. Treasury		11/17/2015	2,000,000.00	2,007,344.00	1,997,688.33	1.500		1.560	608	05/31/2020
912828VF4	10977	U.S. Treasury		12/11/2015	2,000,000.00	2,000,938.00	1,991,047.15	1.375		1.608	608	05/31/2020
912828L32	10978	U.S. Treasury		12/11/2015	2,000,000.00	1,998,906.00	1,991,260.21	1.375		1.603	700	08/31/2020
912828R85	11081	U.S. Treasury		12/15/2016	3,000,000.00	2,979,726.00	2,986,023.59	0.875		1.350	257	06/15/2019
912828S27	11082	U.S. Treasury		01/10/2017	3,000,000.00	2,956,056.00	2,937,355.24	1.125		1.853	1,003	06/30/2021
912828J84	11083	U.S. Treasury		01/10/2017	3,000,000.00	3,002,814.00	2,992,300.30	1.375		1.551	547	03/31/2020
		Subtotal and Average	**14,893,189.28**		**15,000,000.00**	**14,945,784.00**	**14,895,674.82**			**1.586**	**616**	
Municipal Bonds												
212263AR8	11120	CONTRA COSTA RDEV-B		01/11/2018	1,000,000.00	996,892.75	996,892.75	2.000		2.390	1,035	08/01/2021
91412GSB2	11131	UNIVERSITY OF CALIFORNIA		05/08/2018	2,000,000.00	1,989,756.95	1,989,756.95	1.796		2.127	273	07/01/2019
		Subtotal and Average	**2,986,649.70**		**3,000,000.00**	**2,986,649.70**	**2,986,649.70**			**2.215**	**527**	
		Total and Average	**294,334,940.34**		**312,032,884.11**	**310,801,845.30**	**311,357,686.55**			**1.761**	**733**	

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 A Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series A 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 A 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.

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 section 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.