NEW ISSUE - FULL BOOK-ENTRY

RATINGS: S&P: "AA" (Insured)
S&P: "A" (Underlying)
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$8,375,000
FORT BRAGG UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
2019 Refunding General Obligation Bonds
(Federally Taxable)

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

Authority and Purposes. The Fort Bragg Unified School District (Mendocino County, California) 2019 Refunding General Obligation Bonds (Federally Taxable) (the "Bonds") are being issued by the Fort Bragg Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 8, 2019 (the "Bond Resolution"). The Bonds are being issued for the purpose of refinancing certain outstanding general obligation bonds of the District. See "THE BONDS – Authority for Issuance" and "THE REFINANCING PLAN" herein.

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

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

Payments. The Bonds will be dated the date of delivery. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2020. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

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

ASSURED GUARANTY®
MUNICIPAL

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 18, 2019.

STIFEL

The date of this Official Statement is September 4, 2019.

MATURITY SCHEDULE

FORT BRAGG UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
2019 Refunding General Obligation Bonds
(Federally Taxable)

Base CUSIP†: 347028

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2020	$165,000	1.788%	1.788%	JV5
2021	90,000	1.788	1.788	JW3
2022	165,000	1.761	1.761	JX1
2023	185,000	1.771	1.771	JY9
2024	205,000	1.871	1.871	JZ6
2025	225,000	2.049	2.049	KA9
2026	250,000	2.149	2.149	KB7
2027	275,000	2.319	2.319	KC5
2028	305,000	2.419	2.419	KD3
2029	325,000	2.469	2.469	KE1

$1,965,000 - 2.899% Term Bonds maturing August 1, 2034; Yield: 2.899%; CUSIP†: KF8

$4,220,000 - 3.263% Term Bonds maturing August 1, 2041; Yield: 3.263%; CUSIP†: KG6

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement 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.

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

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

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

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

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

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
COUNTY OF MENDOCINO
STATE OF CALIFORNIA

FINANCIAL ADVISOR

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

BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT and ESCROW AGENT

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

ESCROW VERIFICATION

Causey Demgen & Moore P.C.
Denver, Colorado

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$8,375,000
FORT BRAGG UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
2019 Refunding General Obligation Bonds
(Federally Taxable)

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

INTRODUCTION

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

The District. The District was originally established in 1895. The District provides educational services in kindergarten through twelfth grade to residents of an area encompassing approximately 450 square miles in and around the coastal City of Fort Bragg (the **"City"**), the second largest city in the County, on the north coast of California approximately 165 miles north of San Francisco. The economy of the region consists primarily of wine and sparkling wine production, tourism and recreation, agriculture and food production, and retail and services.

The District is a unified school district serving students in grades kindergarten through twelve. The District consists of two elementary schools, one middle school, one four year high school, a continuation/adult school and two community day schools. Enrollment is budgeted for 1,805 students in fiscal year 2019-20. The District's total assessed value for fiscal year 2018-19 is $1,858,477,690. For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other information regarding the City and the County.

Purposes. The net proceeds of the Bonds will be used to refinance on an advance basis certain maturities of the District's outstanding General Obligation Bonds, Election of 2008, Series 2011 (the **"Prior Bonds"** and with respect to those maturities to be refunded, the **"Refunded Bonds"**), and to pay related costs of issuance. See "THE REFINANCING PLAN" herein.

Authority for Issuance of the Bonds. The Bonds are being issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the **"Bond Law"**), and pursuant to a resolution adopted by the Board of Trustees of the District on August 8, 2019 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

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

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

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

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

Tax Matters. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**"), based upon existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes, although interest on the Bonds is <u>not</u> excluded from gross income for federal income tax purposes. Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" and Appendix D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of issuance of the Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "THE BONDS - Continuing Disclosure."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District at 312 S. Lincoln Street, Fort Bragg, CA 95437, telephone: (707) 961-2850. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE REFINANCING PLAN

Identification of Refunded Bonds

The District obtained voter approval to issue general obligation bonds at an election held in the District on June 3, 2008, in a principal amount of up to $16 million. On July 26, 2011, the District issued its Election of 2008, Series 2011 Bonds in the original principal amount of $8,797,874.25 (the "**Prior Bonds**").

Proceeds of the Bonds will be applied to refinance certain maturities of the Prior Bonds. In addition, a portion of the proceeds of the Bonds will be applied to pay the costs of issuing the Bonds.

Certain maturities of the Prior Bonds are subject to optional redemption on any date on or after August 1, 2021, at the redemption prices set forth in the below tables. The maturities of the Prior Bonds to be refunded with the proceeds of the Bonds (the "**Refunded Bonds**") are described more fully in the following table.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Identification of Refunded Bonds

Maturity Date	Principal Amount to be Refunded	Redemption Date	Redemption Price¥	CUSIP†
08/01/2022	$80,000	08/01/2021	100.0%	347028HT2
08/01/2023	105,000	08/01/2021	100.0	347028HU9
08/01/2024	130,000	08/01/2021	100.0	347028HV7
08/01/2025	155,000	08/01/2021	100.0	347028HW5
08/01/2026	185,000	08/01/2021	100.0	347028HX3
08/01/2030-T	1,060,000	08/01/2021	100.0	347028HY1
08/01/2034-T	1,520,000	08/01/2021	100.0	347028HZ8
08/01/2041-T	4,380,000	08/01/2021	100.0	347028JA1
TOTAL	$7,615,000	--	--	--

¥Percentage of principal amount to be redeemed.
†CUSIP numbers are provided for convenience of reference only. The District does not take any responsibility for the accuracy of such CUSIP numbers.
T: Term Bond.

Escrow Fund

The District will deliver the net proceeds of the Bonds to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Agent**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), between the District and the Escrow Agent. The Escrow Agent will apply such funds, together with interest earnings thereon, to pay the principal of and interest on the Refunded Bonds, including the redemption price thereof, as set forth above, together with accrued interest (as applicable) to the respective redemption dates identified above.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C. (the "**Verification Agent**"). See "VERIFICATION OF

MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Agent on the date of issuance of the Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service on the Bonds.

Unrefunded Prior Bonds

The portion of the Prior Bonds which will not be refunded (the **"Unrefunded Prior Bonds"**) are described more fully in the following table.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Identification of Unrefunded Prior Bonds

Maturity Date	Original Principal/ Denominational Amount	CUSIP†
08/01/2020	$40,000.00	347028HR6
08/01/2021	60,000.00	347028HS4
08/01/2035-C	304,003.05	347028JH6
08/01/2036-C	295,800.70	347028JJ2
08/01/2037-C	104,521.60	347028JK9
08/01/2038-C	80,708.40	347028JL7
08/01/2039-C	75,636.00	347028JM5
TOTAL	$960,669.75	--

C: Capital Appreciation Bonds.
†CUSIP numbers are provided for convenience of reference only. The District does not take any responsibility for the accuracy of such CUSIP numbers.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$8,375,000.00
Total Sources	$8,375,000.00
Uses of Funds	
Escrow Fund	$8,150,784.68
Costs of Issuance[1]	224,215.32
Total Uses	$8,375,000.00

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

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the Bond Law and pursuant to the Bond Resolution.

Description of the Bonds

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

The Bonds will be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2020 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2020, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Paying Agent

The Bank of New York Mellon Trust Company, N.A. will act as the registrar, transfer agent, and paying agent for the Bonds (the "**Paying Agent**") in accordance with the Bond Resolution. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will provide notices and payments in accordance with the book-entry procedures summarized below under the heading "-Book-Entry Only System."

Book-Entry Only System

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

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

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

Optional Redemption

The Bonds maturing on or before August 1, 2029 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2034 and August 1, 2041 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2029, or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, Bonds will be deemed to consist of $5,000 portions, and any such portion may be separately redeemed. Whenever less than all of the outstanding Bonds are designated for redemption, the Paying Agent shall select Bonds for redemption as directed by the District, and without direction, in inverse order of maturity. If less than all Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 2034 and August 1, 2041 (together, the **“Term Bonds”**) are subject to mandatory sinking fund redemption in accordance with the respective schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are redeemed under the foregoing optional redemption provisions, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000.

Term Bonds Maturing August 1, 2034

Redemption Date (August 1)	Sinking Fund Redemption
2030	$355,000
2031	405,000
2032	375,000
2033	400,000
2034 (Maturity)	430,000

Term Bonds Maturing August 1, 2041

Redemption Date (August 1)	Sinking Fund Redemption
2035	$60,000
2036	60,000
2037	60,000
2038	65,000
2039	65,000
2040	1,875,000
2041 (Maturity)	2,035,000

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District, at least 20 days but not more than 60 days prior to the date fixed for redemption. Notice of any redemption of Bonds may be a conditional notice of redemption and subject to rescission as set forth below and shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

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

Partial Redemption of Bonds

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance

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

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

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

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

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

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

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

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

"Federal Securities" means any non-callable United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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DEBT SERVICE SCHEDULES

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
2019 Refunding General Obligation Bonds

Bond Year Ending	Principal	Interest	Total Debt Service
8/1/20	$165,000.00	$209,538.81	$374,538.81
8/1/21	90,000.00	238,052.90	328,052.90
8/1/22	165,000.00	236,443.70	401,443.70
8/1/23	185,000.00	233,538.06	418,538.06
8/1/24	205,000.00	230,261.70	435,261.70
8/1/25	225,000.00	226,426.16	451,426.16
8/1/26	250,000.00	221,815.90	471,815.90
8/1/27	275,000.00	216,443.40	491,443.40
8/1/28	305,000.00	210,066.16	515,066.16
8/1/29	325,000.00	202,688.20	527,688.20
8/1/30	355,000.00	194,663.96	549,663.96
8/1/31	405,000.00	184,372.50	589,372.50
8/1/32	375,000.00	172,631.56	547,631.56
8/1/33	400,000.00	161,760.30	561,760.30
8/1/34	430,000.00	150,164.30	580,164.30
8/1/35	60,000.00	137,698.60	197,698.60
8/1/36	60,000.00	135,740.80	195,740.80
8/1/37	60,000.00	133,783.00	193,783.00
8/1/38	65,000.00	131,825.20	196,825.20
8/1/39	65,000.00	129,704.26	194,704.26
8/1/40	1,875,000.00	127,583.30	2,002,583.30
8/1/41	2,035,000.00	66,402.06	2,101,402.06
Total	$8,375,000.00	$3,951,604.83	$12,326,604.83

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
Combined Outstanding General Obligation Bond Debt Service

Bond Year Ending	Other GO Bond Debt	The Bonds	Total Debt Service
8/1/20	$1,715,019.00	$374,538.81	$2,089,557.81
8/1/21	1,801,712.00	328,052.90	2,129,764.90
8/1/22	1,825,286.00	401,443.70	2,226,729.70
8/1/23	1,902,601.00	418,538.06	2,321,139.06
8/1/24	1,987,445.00	435,261.70	2,422,706.70
8/1/25	2,073,744.00	451,426.16	2,525,170.16
8/1/26	2,163,481.00	471,815.90	2,635,296.90
8/1/27	2,266,656.00	491,443.40	2,758,099.40
8/1/28	2,432,854.00	515,066.16	2,947,920.16
8/1/29	2,546,802.00	527,688.20	3,074,490.20
8/1/30	2,606,288.00	549,663.96	3,155,951.96
8/1/31	2,783,802.00	589,372.50	3,373,174.50
8/1/32	2,935,001.00	547,631.56	3,482,632.56
8/1/33	3,065,001.00	561,760.30	3,626,761.30
8/1/34	3,205,000.00	580,164.30	3,785,164.30
8/1/35	3,675,000.00	197,698.60	3,872,698.60
8/1/36	3,835,000.00	195,740.80	4,030,740.80
8/1/37	4,010,000.00	193,783.00	4,203,783.00
8/1/38	4,195,000.00	196,825.20	4,391,825.20
8/1/39	4,385,000.00	194,704.26	4,579,704.26
8/1/40	2,495,000.00	2,002,583.30	4,497,583.30
8/1/41	2,595,000.00	2,101,402.06	4,696,402.06
8/1/42	2,695,000.00	--	2,695,000.00
8/1/43	2,795,000.00	--	2,795,000.00
8/1/44	2,905,000.00	--	2,905,000.00
8/1/45	3,015,000.00	--	3,015,000.00
8/1/46	3,130,000.00	--	3,130,000.00
8/1/47	3,250,001.00	--	3,250,001.00
Total	$78,290,693.00	$12,326,604.83	$90,617,297.83

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. In accordance with Education Code 15250 and following, the County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

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

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the debt service fund for the Bonds, which is maintained by the Mendocino County Treasurer in accordance with Education Code Section 15251 and the Bond Resolution, and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

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

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter-approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish a "**Debt Service Fund**" for the Bonds, as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same become due and payable. Funds on deposit in the Debt Service Fund are subject to a statutory lien pursuant to the provisions of Section 15251 of the California Education Code.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county in which the property is located.

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuations

Assessed Valuation History. The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see Appendix A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

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Shown in the following table are recent assessed valuations for the District.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Historical Assessed Valuations
Fiscal Year 2009-10 through Fiscal Year 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2009-10	$1,635,284,106	$435,612	$50,890,934	$1,686,610,652	--%
2010-11	1,580,613,769	132,000	48,744,124	1,629,489,893	(3.4)
2011-12	1,568,970,648	670,398	46,294,130	1,615,935,176	(0.8)
2012-13	1,548,275,669	542,898	48,454,981	1,597,273,548	(1.2)
2013-14	1,564,185,814	542,898	45,302,631	1,610,031,343	0.8
2014-15	1,574,321,458	542,898	47,774,114	1,622,638,470	0.8
2015-16	1,617,876,815	542,898	48,345,660	1,666,765,373	2.7
2016-17	1,681,321,153	340,398	48,464,760	1,730,126,311	3.8
2017-18	1,742,309,921	0	47,425,536	1,789,735,457	3.4
2018-19	1,811,824,831	0	46,652,859	1,858,477,690	3.8

Source: California Municipal Statistics, Inc.

The District has received an estimated total assessed valuation from the County for fiscal year 2019-20 of $1,921,733,321 (consisting of $1,872,702,972 local secured assessed value and $49,030,349 unsecured assessed value), which represents an increase of 3.4% since fiscal year 2018-19.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the District is located. Although recent California wildfires have not occurred within District boundaries, the District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Assessed Value by Jurisdiction. The following table shows a breakdown of assessed valuation by jurisdiction for the District for Fiscal Year 2018-19

FORT BRAGG UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2018-19

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Fort Bragg	$ 703,298,469	37.84%	$703,298,469	100.00%
Unincorporated Mendocino County	1,155,179,221	62.16	$9,126,263,814	12.66%
Total District	$1,858,477,690	100.00%		
Mendocino County	$1,858,477,690	100.00%	$11,830,067,725	15.71%

Source: California Municipal Statistics, Inc.

Parcels by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for Fiscal Year 2018-19.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Agricultural/Timber	$ 68,973,365	3.81%	956	12.02%
Commercial	219,612,233	12.12	433	5.44
Vacant Commercial	12,177,752	0.67	81	1.02
Industrial	49,461,932	2.73	45	0.57
Vacant Industrial	6,635,604	0.37	24	0.30
Recreational	8,955,123	0.49	18	0.23
Government/Social/Institutional	5,860,178	0.32	64	0.80
Miscellaneous	3,613,511	0.20	157	1.97
Subtotal Non-Residential	$375,289,698	20.71%	1,778	22.35%
Residential:				
Single Family Residence	$1,274,458,356	70.34%	4,667	58.66%
Mobile Home	65,329,888	3.61	447	5.62
Mobile Home Park	12,258,003	0.68	16	0.20
2+ Residential Units	55,186,515	3.05	430	5.40
Vacant Residential	29,302,371	1.62	618	7.77
Subtotal Residential	$1,436,535,133	79.29%	6,178	77.65%
Total	$1,811,824,831	100.00%	7,956	100.00%

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

Per Parcel Assessed Valuation of Single-Family Homes. The table below shows the per parcel assessed valuation of single-family homes in the District for Fiscal Year 2018-19.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	4,667	$1,274,458,356	$273,079	$231,849

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	86	1.843%	1.843%	$ 1,316,602	0.103%	0.103%
$25,000 - $49,999	239	5.121	6.964	9,138,450	0.717	0.820
$50,000 - $74,999	276	5.914	12.878	17,393,650	1.365	2.185
$75,000 - $99,999	222	4.757	17.634	19,341,520	1.518	3.703
$100,000 - $124,999	237	5.078	22.713	26,433,370	2.074	5.777
$125,000 - $149,999	279	5.978	28.691	38,331,759	3.008	8.785
$150,000 - $174,999	280	6.000	34.690	45,588,826	3.577	12.362
$175,000 - $199,999	319	6.835	41.526	59,895,628	4.700	17.061
$200,000 - $224,999	314	6.728	48.254	66,596,108	5.225	22.287
$225,000 - $249,999	280	6.000	54.253	66,458,790	5.215	27.501
$250,000 - $274,999	235	5.035	59.289	61,743,010	4.845	32.346
$275,000 - $299,999	226	4.843	64.131	64,879,330	5.091	37.437
$300,000 - $324,999	225	4.821	68.952	70,107,818	5.501	42.938
$325,000 - $349,999	208	4.457	73.409	69,982,300	5.491	48.429
$350,000 - $374,999	185	3.964	77.373	66,855,675	5.246	53.675
$375,000 - $399,999	158	3.385	80.759	61,166,826	4.799	58.474
$400,000 - $424,999	145	3.107	83.865	59,520,064	4.670	63.144
$425,000 - $449,999	111	2.378	86.244	48,402,352	3.798	66.942
$450,000 - $474,999	91	1.950	88.194	41,980,493	3.294	70.236
$475,000 - $499,999	77	1.650	89.844	37,506,059	2.943	73.179
$500,000 and greater	474	10.156	100.000	341,819,726	26.821	100.000
Total	4,667	100.000%		$1,274,458,356	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Typical Tax Rates

Below are historical typical tax rates in a typical tax rate area within the District in recent years.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Typical Tax Rates as Percent of Assessed Valuation
(Tax Rate Area 1-000) (1)
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Redwoods Joint Community College District	.0600	.0100	.0080	.0110	.0110
Fort Bragg Unified School District	.1010	.1070	.1150	.1070	.1140
Mendocino Coast Hospital District	.0130	.0150	.0100	.0150	.0130
Total Tax Rate	1.1740%	1.1320%	1.1330%	1.1330%	1.1380%

(1) 2018-19 assessed valuation of TRA is $346,325,272, which is 18.63% of the District's total 2018-19 assessed valuation.
Source: California Municipal Statistics, Inc.

Secured Tax Levies and Delinquencies - Teeter Plan

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

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

The following table shows secured tax charges and delinquencies for secured property in the District for property within the District for fiscal years 2013-14 through 2017-18 without regard to the Teeter Plan.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2017-18

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	Percent Delinquent June 30
2013-14	$17,551,712.06	$350,398.28	2.00%
2014-15	17,719,636.33	288,689.17	1.63
2015-16	18,341,385.77	312,335.55	1.70
2016-17	19,105,336.14	294,700.05	1.54
2017-18	19,849,156.46	321,769.35	1.62

[1] All taxes collected by the County on property in the District.
Source: California Municipal Statistics, Inc.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2017-18

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	Percent Delinquent June 30
2013-14	$1,556,239.56	$31,066.30	2.00%
2014-15	1,567,982.38	25,554.07	1.63
2015-16	1,711,386.14	28,758.74	1.68
2016-17	1,913,939.96	29,378.75	1.53
2017-18	1,851,883.01	29,898.82	1.61

[1] District's general obligation debt service levy.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2018-19 Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Georgia Pacific Corporation	Timber/Re-Use Development	$ 33,102,429	1.83%
2.	Lyme Redwood Timberlands LLC	Timber	15,702,046	0.87
3.	Rap Investors LP	Hotel/Motel	11,316,385	0.62
4.	The Boatyard Associates Phase II	Shopping Center	10,252,613	0.57
5.	Safeway Inc.	Commercial	7,019,345	0.39
6.	Michael A. & Maribelle Anderson, Trustees	Industrial	6,649,169	0.37
7.	Siamex Investment Corp.	Rural Property	6,419,415	0.35
8.	Jeanette Colombi, Trust	Hotel/Motel	6,325,462	0.35
9.	Ghulamn Murtaza & Tenzila Ansari	Hotel/Motel	6,198,689	0.34
10.	Jackson Grube Family Inc.	Hotel/Motel	5,844,497	0.32
11.	Jason S. Hurt	Hotel/Motel	5,618,828	0.31
12.	Tanti Family II & III LLC	Hotel/Motel	5,427,319	0.30
13.	Larry D. & Abbie M. Colbert, Trustees	Residential	5,168,292	0.29
14.	Kuami Kao	Hotel/Motel	4,519,747	0.25
15.	Kashi Keshav Investments LLC	Hotel/Motel	4,295,717	0.24
16.	Grosvenor Van Ness Associates	Multi-Family Residential	4,200,720	0.23
17.	Longs Drug Stores California LLC	Commercial	3,973,732	0.22
18.	Ronald R. Ray, Trust	Industrial	3,867,529	0.21
19.	Michael V. & Dona H. Lee, Trustees	Multi-Family Residential	3,839,740	0.21
20.	James C. & Barbara J. Hurst, Trustees	Restaurant	3,666,704	0.20
			$153,408,378	8.47%

(1) 2018-19 local secured assessed valuation: $1,811,824,831.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the **"Debt Report"**) prepared by California Municipal Statistics, Inc. with respect to debt dated as of August 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of August 1, 2019

2018-19 Assessed Valuation: $1,858,477,690

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 8/1/19**
Redwoods Joint Community College District	9.865%	$ 2,515,082
Fort Bragg Unified School District	**100.000**	**29,710,262**[(1)]
Mendocino Coast Hospital District	54.407	2,318,092
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$34,543,436
OVERLAPPING GENERAL FUND DEBT:		
Mendocino County Certificates of Participation	15.710%	$2,691,123
Mendocino County Pension Obligation Bonds	15.710	7,084,425
TOTAL OVERLAPPING GENERAL FUND DEBT		$9,775,548
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		3,495,000
COMBINED TOTAL DEBT		$47,813,984[(2)]

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($29,710,262) 1.60%
Total Direct and Overlapping Tax and Assessment Debt....1.86%
Combined Total Debt...2.57%

Ratio to Successor Agency Redevelopment Incremental Valuation ($214,553,280):
Total Overlapping Tax Increment Debt...............................1.63%

(1) Excludes the Bonds described herein and includes the Prior Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

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

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

On June 27, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At June 30, 2019:

- The policyholders' surplus of AGM was approximately $2,530 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (**"MAC"**) (as described below) were approximately $1,082 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,853 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019).

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

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

Miscellaneous Matters

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

TAX MATTERS

The interest on the Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, San Francisco, California, interest on the Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Bonds, which is to be delivered on the date of issuance of the Bonds, is set forth in APPENDIX D.

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

The District is subject to lawsuits and claims that may arise in the normal course of operating the District. 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.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Isom Advisors, A Division of Urban Futures, Inc., Walnut Creek, California, as financial advisor to the District, and Kutak Rock LLP, Denver, Colorado, as Underwriter's Counsel, is contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by April 1 each year based upon the June 30 end of the District's fiscal year), commencing by April 1, 2020, with the report for the 2018-19 Fiscal Year (the **"Annual Report"**), and to provide notices of the occurrence of certain enumerated events. The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the **"MSRB"**). The specific nature of the information to be contained in an Annual Report or other notices is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has made prior undertakings under the Rule. Instances of noncompliance in the previous five years are not linking the District's timely annual report filing for fiscal year 2014-15 to each outstanding bond by CUSIP, not including all required operating data in the annual report for fiscal year 2017-18, and not timely filing notices of insured rating changes that occurred in 2015 and 2017. Notices of failure to timely provide such information was not filed. These instances of noncompliance have been remedied. The District currently serves as its own dissemination agent.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to the sufficiency of the anticipated amount of proceeds of the Bonds and other funds available to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements of the Refunded Bonds.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign its rating of "AA" to the Bonds, based on the understanding that the Bond Insurer will deliver its Bond Insurance Policy with respect to the Bonds upon delivery. See "BOND INSURANCE." S&P has assigned an underlying rating of "A" to the Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement because it is not material to making an investment decision). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant.

Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $8,335,218.75, which is equal to the initial principal amount of the Bonds of $8,375,000.00, less an Underwriter's discount of $39,781.25.

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

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

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

FORT BRAGG UNIFIED SCHOOL DISTRICT

By: *\/s\/ Rebecca Walker*
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

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

GENERAL DISTRICT INFORMATION

General Information

The District was originally established in 1895. The District provides educational services in kindergarten through twelfth grade to residents of an area encompassing approximately 450 square miles in and around the coastal city of Fort Bragg (the **"City"**), the second largest city in the County, on the north coast of California approximately 165 miles north of San Francisco. The economy of the region consists primarily of wine and sparkling wine production, tourism and recreation, agriculture and food production, and retail and services.

The District is a unified school district serving students in grades kindergarten through twelve. The District consists of two elementary schools, one middle school, one four year high school, a continuation/adult school and two community day schools. Enrollment is budgeted for 1,805 students in fiscal year 2019-20.

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees, with each member elected to a four-year term. Elections for positions on the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Kathy Babcock	President	November 2020
Diana Paoli	Vice President	November 2020
Mary Makela	Trustee	November 2022
Gerald Matson	Trustee	November 2022
Scott Schneider	Trustee	November 2022

Administration. The day-to-day operations are managed by a Board-appointed Superintendent. Currently, Rebecca Walker serves as the District Superintendent. Wendy Boise, Certified Public Accountant, serves as the District's Chief Business Official.

Recent Enrollment Trends

The following table shows recent enrollment history for the District.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2014-15 through 2019-20 (Projected)

School Year	Enrollment	% Change
2014-15	1,764	--%
2015-16	1,815	2.9
2016-17	1,775	(2.2)
2017-18	1,806	1.7
2018-19	1,774	(1.8)
2019-20(1)	1,805	1.7

(1)Budgeted.
Source: Fort Bragg Unified School District.

Employee Relations

The District has budgeted in fiscal year 2019-20 for 117 full-time equivalent (**"FTE"**) certificated (non-management) positions, 109 FTE classified (non-management) positions and 24 FTE management, supervisor and confidential positions. These employees, except management and some part-time employees, are represented by the bargaining units summarized below.

FORT BRAGG UNIFIED SCHOOL DISTRICT
Summary of Labor Organizations

Labor Organization	Contract Expiration
Fort Bragg District Teachers Association	June 30, 2022
California School Employees Association	June 30, 2022

Source: Fort Bragg Unified School District.

Insurance

The District participates in four joint ventures under joint powers authorities ("**JPAs**"), the Northern California Schools Insurance Group, the Schools Insurance Group Northern Alliance, the Schools Excess Liability Fund, and the Alameda County Schools Insurance Group. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

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

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

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

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

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

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

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

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

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

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for the fiscal year ending fiscal year 2017-18 were prepared by Christy White Associates, A Professional Accountancy Corporation, San Diego, California. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the 2017-18 audited financial statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District and are also freely accessible online at the Electronic Municipal Market Access website operated by the Municipal Securities Rulemaking Board (emma.msrb.org) in connection with the District's annual report filings for its bonds (see description of annual report filings in the front portion of this Official Statement under the caption "Certain Legal Matters – Continuing Disclosure"). Reference to the foregoing web site does not incorporate its contents herein by reference. The District has not requested nor did the District obtain permission from its auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the auditor has not performed any post-audit review of the financial condition or operations of the District.

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General Fund Revenues, Expenditures and Changes in Fund Balance. The District's general fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The following tables shows the audited income and expense statements for the District for the fiscal years 2013-14 through 2017-18. Due to a change in format this information is presented in two tables.

SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2014-15
Fort Bragg Unified School District

	2013-14 Audited	2014-15 Audited
Revenue		
LCFF Sources	$12,692,941	$13,713,241
Federal Revenue	1,190,493	1,176,460
State Revenues	1,183,539	1,198,636
Local Revenues	2,034,181	2,121,999
Total Revenue	17,101,154	18,210,336
Expenditures		
Certificated Salaries	7,657,435	7,901,270
Classified Salaries	3,029,420	3,165,070
Employee Benefits	3,704,879	4,147,779
Books and Supplies	676,624	917,696
Services, Other Operating Expenses	2,208,206	2,209,265
Capital Outlay	22,447	905,797
Debt Service: Principal Retirement	--	186,573
Other Outgo	(44,700)	(49,140)
Total Expenditures	17,254,311	19,384,313
Excess (deficiency) of Revenues over (under) Expenditures	(153,157)	(1,173,977)
Net Other Financing Sources & Uses	15,050	898,500
Net Change in Fund Balance	(138,107)	(275,477)
Fund Balance, July 1	2,816,057	2,677,950
Fund Balance, June 30	$2,677,950	$2,402,473

Source: Fort Bragg Unified School District Audit Reports.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2015-16 and 2016-17 (Audited)*
Fort Bragg Unified School District

Revenues	Audited 2015-16	Audited 2016-17	Audited 2017-18
LCFF Sources	$15,242,495	$16,033,842	$16,337,769
Federal Revenues	1,370,036	1,458,923	1,284,118
Other State Revenues	2,333,852	2,294,950	1,965,987
Other Local Revenues	2,091,360	2,006,592	1,817,999
Total Revenues	21,037,743	21,794,307	21,405,873
Expenditures			
Instruction	11,812,931	12,607,396	12,526,266
Instruction-Related Activities:			
Supervision of Instruction	600,633	798,594	812,356
Instructional Library, Media, Tech	266,807	446,609	409,428
School Site Administration	1,422,569	1,359,773	1,370,652
Pupil Services:			
Home-to-School Transport	658,964	672,415	629,813
Food Services	119	--	--
All Other Pupil Services	980,985	1,080,690	1,125,467
General Administration:			
Data Proc.	268,989	293,457	327,380
All Other General Administration	1,094,156	988,789	905,541
Plant Services	2,062,084	2,432,311	2,533,480
Facility Acquisition and Maintenance	45,636	--	--
Ancillary Services	725,574	662,347	691,739
Community Services	136,965	173,073	26,969
Transfers to Other Agencies	--	--	11,259
Debt Service: Principal	165,577	170,594	175,763
Debt Service: Interest	20,999	15,982	10,813
Total Expenditures	20,262,988	21,672,030	21,556,926
Excess of Revenues Over/(Under) Expenditures	774,755	122,277	(151,053)
Other Financing Sources (Uses)			
Operating Transfers in	--	--	--
Other Sources	--	--	--
Operating Transfers out	(387,347)	(171,755)	(187,924)
Total Other Financing Sources (Uses)	(387,347)	(171,755)	(187,924)
Net Change in Fund Balance	387,408	(49,478)	(338,977)
Fund Balance, July 1	2,402,473	2,789,881	2,740,403
Fund Balance, June 30	$2,789,881	$2,740,403	$2,401,426

*Audited financial statements for select prior years appear in the preceding table, because the audits were prepared using different formats.
Source: Fort Bragg Unified School District Audit Reports.

District Budget and Interim Financial Reporting

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

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Mendocino County Superintendent of Schools, which is part of the organizational structure of the California Department of Education (not the County of Mendocino) (the **"County Superintendent"**).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of 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 subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, (the **"State Superintendent**") and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

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

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

District's Budget Approval/Disapproval and Certification History. The District has not received any qualified or negative certifications of its financial reports in the past five years, nor have any of its budgets been disapproved. The District's Budget for fiscal year 2019-20 was approved by the County Superintendent.

Copies of the District's budgets, interim reports and certifications may be obtained upon request from the District. The District may impose charges for copying, mailing and handling.

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District's General Fund Fiscal Year 2018-19 (Estimated Actuals) and Fiscal Year 2019-20 (Adopted Budget) The following table shows the general fund estimated actuals for the District for fiscal year 2018-19 (Estimated Actuals) and the general fund budget for fiscal year 2019-20 (Adopted Budget).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2018-19 (Estimated Actuals)
And Fiscal Year 2019-20 (Adopted Budget)[(1)]
Fort Bragg Unified School District

	Estimated Actuals 2018-19	Adopted Budget 2019-20
Revenues		
LCFF Sources	$17,627,927	$18,157,314
Federal revenues	1,724,537	1,590,888
Other state revenues	2,040,404	1,661,835
Other local revenues	1,739,115	1,616,459
Total Revenues	23,131,983	23,026,496
Expenditures		
Certificated Salaries	8,627,905	8,434,960
Classified Salaries	3,953,763	3,855,861
Employee Benefits	6,432,292	6,692,396
Books and Supplies	1,437,226	1,290,293
Services and Other Operating Expenditures	2,738,465	2,518,058
Capital Outlay	367,790	48,077
Other Outgo (excl. transfers of Ind. Costs)	--	--
Other Outgo-Transfers of Indirect Costs	(54,682)	(54,682)
Total Expenditures	23,502,759	22,784,963
Excess of Revenues Over/(Under) Expenditures	(370,776)	241,533
Other Financing Sources (Uses)		
Interfund Transfers In	186,632	--
Interfund Transfers Out	(531,700)	(279,203)
Other Sources/Uses	--	--
Total Other Financing Sources (Uses)	(345,068)	(279,203)
Net Change in Fund Balance	(715,844)	(37,670)
Fund Balance, July 1	2,104,388	1,388,544
Fund Balance, June 30*	$1,388,544	$1,350,874

(1) Budget documents do not account for reserves held outside of the general fund, which reserves are included in the audited financial statements for the District's general fund summarized in the preceding table.
*Totals may not foot due to rounding.
Source: Fort Bragg Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the school district level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01. The District cannot predict how the foregoing legislation and reserve caps could impact its reserves and future spending.

The adopted State Budget for fiscal year 2019-20 provides for an initial deposit into the Public School System Stabilization Account of the State of approximately $376.5 million. This amount is not sufficient to trigger the reserve cap provided for by SB 858, as amended by SB 751. See also "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 State Budget."

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

Attendance - Revenue Limit and LCFF Funding

Funding Trends. As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on A.D.A., and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent total LCFF funding trends, together with ADA.

AVERAGE DAILY ATTENDANCE AND LCFF FUNDING TRENDS
Fort Bragg Unified School District
Fiscal Years 2013-14 through 2019-20 (Projected Totals)

Fiscal Year	ADA	LCFF Total Funding
2013-14	1,659	$12,692,941
2014-15	1,663	13,713,241
2015-16	1,694	15,242,496
2016-17	1,652	16,033,842
2017-18	1,692	16,337,771
2018-19(1)	1,680	17,627,927
2019-20(2)	1,694	18,157,314

(1) Estimated Actual.
(2) Budgeted.
Source: California Department of Education; Fort Bragg Unified School District.

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 73% in fiscal year 2019-20, and as such, is entitled to be supplemental and concentration grant funding under LCFF.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to. Furthermore, if a school district's share of local property tax revenues exceeded the revenue limit, the school district was deemed a “Basic Aid” district, and entitled to keep the full share of local property taxes, even if they exceeded the revenue limit which would have been provided through State funding.

For school districts which were “Basic Aid” prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, such districts are entitled to retain their status as Basic Aid and keep their full local property tax revenue entitlement. The threshold for Basic Aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some district falling out of Basic Aid status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Basic Aid districts.

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

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

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - State Funding of Education.”

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

District Retirement Systems

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

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the financial statements for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018" for further information.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS Contributions
Fort Bragg Unified School District
Fiscal Years 2013-14 through 2019-20 (Projected)

Fiscal Year	Amount*
2013-14	$611,098
2014-15	663,994
2015-16	829,197
2016-17	991,243
2017-18	1,121,670
2018-19**	1,949,767
2019-20***	1,843,939

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

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

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

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

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

(1) Expressed as a percentage of covered payroll. Rates may change based on actual experience and other factors.
(2) Fiscal year 2019-20 and 2020-21 employer contribution rates have been reduced as of adoption of the fiscal year 2019-20 State Budget. See the following paragraph.
Source: AB 1469.

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

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

PERS Contributions
Fort Bragg Unified School District
Fiscal Years 2013-14 through 2019-20 (Projected)

Fiscal Year	Amount
2013-14	$368,763
2014-15	386,846
2015-16	450,915
2016-17	562,910
2017-18	662,321
2018-19*	785,635
2019-20**	893,355

*Estimated Actual.
**Budgeted.
Source: Fort Bragg Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next subsequent three years according to the following schedule.

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

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

Source: PERS.

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

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

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

Fiscal Year	Employer Contribution Rate(2)
2019-20	19.721%
2020-21	22.700
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll. Rates for 2019-20 and 2020-21 have been reduced following adoption of the fiscal year 2019-20 State Budget. See the following paragraph
Source: PERS

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

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

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

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

Additional Information. Additional information regarding the District's retirement programs is available in Note 11 of the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Benefit Obligation

Plan Description. The District's post-employment benefit plan (the **"Plan"**) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical (health) benefits to eligible retirees. Eligible retirees of the District may elect coverage under one of two medical/prescription drug options, the "Major Benefits PPO" or the "High Deductible PPO 1000" (available to retirees only), provide through Blue Shield of California and Mendocino County Schools. At June 30, 2018, the plan had 10 retirees receiving benefits and 195 active plan members for a total of 205 plan members.

Contribution Information. The contribution requirements of plan members and the District are established and may be amended by the District. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018 - Note 10- Other Postemployment Benefits."

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2018, as summarized in the District's audited financial statement for fiscal year 2017-18, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Fort Bragg Unified School District

	Total OPEB Liability
Service Cost	$66,641
Interest	31,789
Benefit payments	(104,008)
Net changes	(5,578)
Balance at June 30, 2017	1,067,229
Balance at June 30, 2018	$1,061,651
Covered Payroll	$12,702,071
District's total OPEB liability as a percentage of covered payroll	8.36%

Source: Fort Bragg Unified School District.

OPEB Expense. For the year ended June 30, 2018, the District recognized an OPEB expense of $98,430.

For more information regarding the District's OPEB, see Note 10 of Appendix B to the Official Statement.

2019 Actuarial Report. The District's total OPEB liability was most recently measured as of June 30, 2018 by an actuarial valuation dated June 24, 2019 (the **"2019 Actuarial Report"),** using a number of actuarial assumptions described in the report. The 2019 Actuarial Report identified a total OPEB liability as of July 1, 2018 of $1,156,531.

Long-Term Debt

In addition to debt relating to pensions and OPEB, the District has outstanding debt as summarized below.

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
Summary of Outstanding General Obligation Bonds

Name	Issue Date	Final Maturity	Original Issue Amount	Bonds Outstanding September 1, 2019
2003 Election, Series 2003	12/18/2003	08/01/2028	$5,802,005	$87,005
2003 Election, Series 2004	12/22/2004	08/01/2029	4,996,704	2,065,704
2003 Election, Series 2006	12/28/2006	08/01/2031	2,785,455	1,600,455
2003 Election, Series 2007	06/28/2007	08/01/2047	7,620,743	7,620,743
2008 Election, Series 2009	05/13/2009	05/01/2034	7,200,684	1,440,684
2008 Election, Series 2011(1)	07/26/2011	08/01/2041	8,797,875	8,575,670
2014 Refunding Bonds(2)	10/09/2014	08/01/2027	4,545,000	3,430,000
2016 Refunding Bonds(2)	06/14/2016	08/01/2031	5,500,000	4,890,000
Total	--	--	$47,248,465	$29,710,261

(1) Certain maturities to be refunded with the proceeds of the Bonds described in this Official Statement.
(2) Private placement.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Mendocino County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website at www.mendocinocounty.org and access the link to "Government", "Treasurer-Tax Collector" and "Investment Holdings and Investment Policy.". The information contained in such website has not been reviewed by the District or the Underwriters and is not incorporated in this Official Statement by reference. The most recent Investment Policy adopted by the Board of Supervisors of the County and the most recent available quarterly investment report are attached hereto as Appendix G.

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

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

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

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

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

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

Recent State Budgets

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the "-Financial Information" link.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the headings "The Budget" and "State Budget Condition."

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

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

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of $214.8 billion, with $147.8 billion in general fund spending. The 2019-20 State Budget provides for $81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $2.7 billion, or 3.4%, from the 2018-19 State budget. Of that $81.1 billion, $62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

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

- $1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional $1.2 million of ongoing Proposition 51 bond funds;

- $5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;

- $300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;

- $645.3 million ongoing funding for special education, including $152.6 million to provide all Special Education Loan Plan Areas with at least the statewide target rate for base special education funding.

- $147.4 million one-time and ongoing funding to address the shortage of teachers;

- $918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;

- $518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding $530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;

- $460 million one-time general funding to increase the quality and availability of child care, including $263 million for child care and preschool facilities expansion and $195 million for childcare and preschool workforce development;

- one-time funding of $750 million to support local governments in increasing and accelerating housing production; and

- one-time funding of $650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and any future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

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

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. All of the District's outstanding general obligation bonds were authorized pursuant to clause (iii) above. 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.

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID

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

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

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 30 and Proposition 55

On November 6, 2012, voters approved the Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the

State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

California Senate Bill 222

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

Future Initiatives

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

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APPENDIX B

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

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FORT BRAGG UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL
ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

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Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
Fort Bragg Unified School District
Fort Bragg, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Fort Bragg Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Bragg Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018 on our consideration of Fort Bragg Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Bragg Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Bragg Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 11, 2018

INTRODUCTION

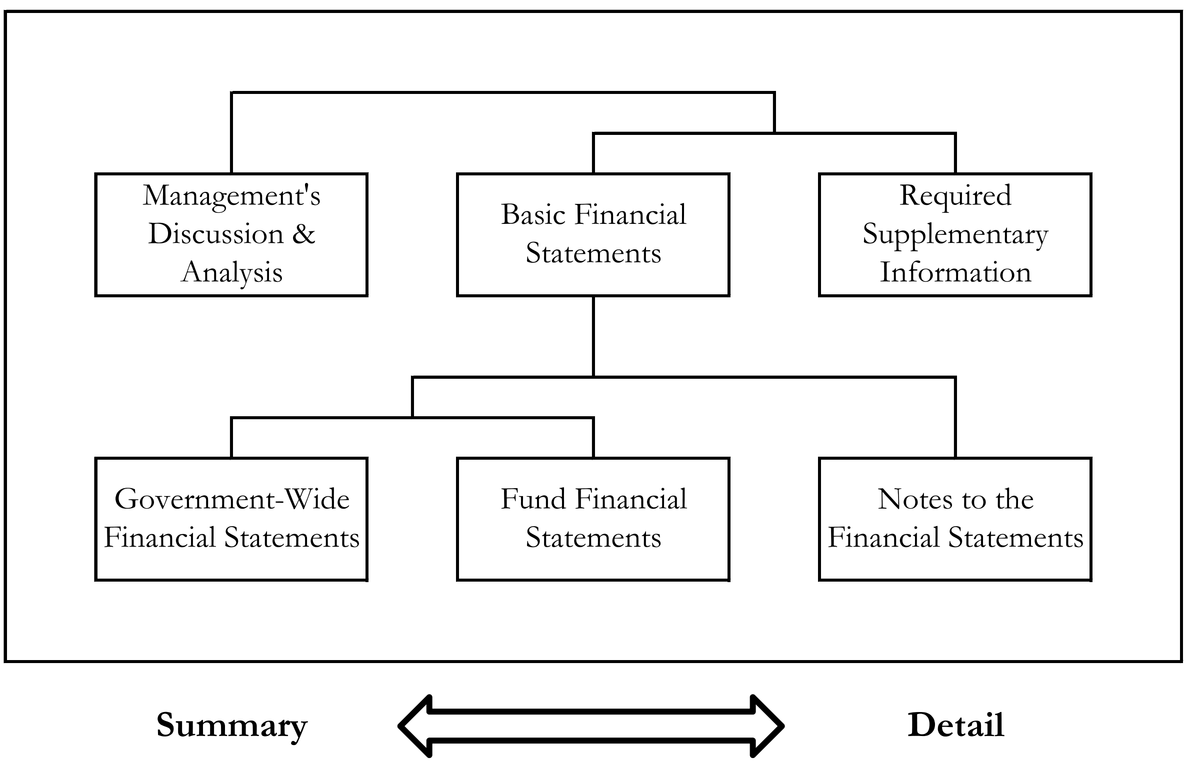
Our discussion and analysis of Fort Bragg Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was $(4,761,721) at June 30, 2018. This was a decrease of $2,444,999 from the prior year after restatement.
- Overall revenues were $24,518,843 which were exceeded by expenses of $26,963,842.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

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

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

    - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

    - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $(4,761,721) at June 30, 2018, as reflected in the table below. Of this amount, $(26,166,808) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2018	2017	Net Change
ASSETS			
Current and other assets	$ 5,451,544	$ 6,257,087	$ (805,543)
Capital assets	50,763,269	52,547,000	(1,783,731)
Total Assets	56,214,813	58,804,087	(2,589,274)
DEFERRED OUTFLOWS OF RESOURCES	7,621,593	5,129,531	2,492,062
LIABILITIES			
Current liabilities	2,204,717	2,532,177	(327,460)
Long-term liabilities	64,974,880	61,408,293	3,566,587
Total Liabilities	67,179,597	63,940,470	3,239,127
DEFERRED INFLOWS OF RESOURCES	1,418,530	897,053	521,477
NET POSITION			
Net investment in capital assets	19,042,730	19,750,444	(707,714)
Restricted	2,362,357	2,360,069	2,288
Unrestricted	(26,166,808)	(23,014,418)	(3,152,390)
Total Net Position	$ (4,761,721)	$ (903,905)	$ (3,857,816)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2018	**2017**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 523,563	$ 401,164	$ 122,399
Operating grants and contributions	4,423,603	5,885,659	(1,462,056)
Capital grants and contributions	26	8	18
General revenues			
Property taxes	9,164,294	8,924,489	239,805
Unrestricted federal and state aid	10,004,601	10,156,288	(151,687)
Other	402,756	404,900	(2,144)
Total Revenues	24,518,843	25,772,508	(1,253,665)
EXPENSES			
Instruction	13,974,064	14,710,062	(735,998)
Instruction-related services	2,897,787	2,982,610	(84,823)
Pupil services	2,960,893	2,857,278	103,615
General administration	1,346,715	1,395,232	(48,517)
Plant services	2,642,123	2,133,794	508,329
Ancillary and community services	852,934	983,601	(130,667)
Debt service	2,278,067	2,269,914	8,153
Other outgo	11,259	-	11,259
Total Expenses	26,963,842	27,332,491	(368,649)
Change in net position	(2,444,999)	(1,559,983)	(885,016)
Net Position - Beginning, as Restated*	(2,316,722)	656,078	(2,972,800)
Net Position - Ending	$ (4,761,721)	$ (903,905)	$ (3,857,816)

** Beginning Net Position was restated for the 2018 year only*

The cost of all our governmental activities this year was $26,963,842 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only $9,164,294 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions, charges for services, and other general revenues.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2018	2017
Instruction	$ 11,489,717	$ 11,185,559
Instruction-related services	2,300,152	2,330,595
Pupil services	1,905,191	1,845,863
General administration	1,144,411	1,219,693
Plant services	2,473,656	1,751,830
Ancillary and community services	433,488	466,160
Debt service	2,278,067	2,269,914
Transfers to other agencies	(8,032)	(23,954)
Total Expenses	$ 22,016,650	$ 21,045,660

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $4,591,647, which is less than last year's ending fund balance of $4,661,464. The District's General Fund had $151,053 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Cafeteria Fund had $182,977 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Capital Facilities Fund had $333,180 more in operating revenues than expenditures for the year ended June 30, 2018. The District's Bond Interest and Redemption Fund had $41,981 less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested $50,763,269 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 188,190	$ 188,190	$ -
Construction in progress	-	17,389,928	(17,389,928)
Land improvements	2,367,893	2,367,893	-
Buildings & improvements	68,987,642	52,227,780	16,759,862
Furniture & equipment	3,897,310	3,033,786	863,524
Accumulated depreciation	(24,677,766)	(22,660,577)	(2,017,189)
Total Capital Assets	$ 50,763,269	$ 52,547,000	$ (1,783,731)

Long-Term Debt

At year-end, the District had $64,974,880 in long-term debt, an increase of 4% from last year's restated balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 43,486,994	$ 43,292,285	$ 194,709
Capital leases	181,089	356,852	(175,763)
Compensated absences	92,465	87,422	5,043
Total OPEB liability*	1,061,651	1,067,229	(5,578)
Net pension liability	21,337,279	18,787,484	2,549,795
Less: current portion of long-term debt	(1,184,598)	(1,115,750)	(68,848)
Total Long-term Liabilities	$ 64,974,880	$ 62,475,522	$ 2,499,358

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

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

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Wendy Boise, Director of Business Services, Fort Bragg Unified School District, 312 S. Lincoln Street, Fort Bragg, CA 95437.

FORT BRAGG UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 4,425,428
Accounts receivable	913,178
Inventory	18,034
Prepaid expenses	94,904
Capital assets, not depreciated	188,190
Capital assets, net of accumulated depreciation	50,575,079
Total Assets	56,214,813
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	7,014,816
Deferred outflows related to OPEB	90,242
Deferred amount on refunding	516,535
Total Deferred Outflows of Resources	7,621,593
LIABILITIES	
Deficit cash	37,866
Accrued liabilities	809,403
Unearned revenue	172,850
Long-term liabilities, current portion	1,184,598
Long-term liabilities, non-current portion	64,974,880
Total Liabilities	67,179,597
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,418,530
Total Deferred Inflows of Resources	1,418,530
NET POSITION	
Net investment in capital assets	19,042,730
Restricted:	
Capital projects	694,414
Debt service	1,198,570
Educational programs	467,325
All others	2,048
Unrestricted	(26,166,808)
Total Net Position	$ (4,761,721)

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
GOVERNMENTAL ACTIVITIES					
Instruction	$ 13,974,064	$ 166,740	$ 2,317,581	$ 26	$ (11,489,717)
Instruction-related services					
Instructional supervision and administration	876,114	75,235	451,358	-	(349,521)
Instructional library, media, and technology	516,071	9,836	32,073	-	(474,162)
School site administration	1,505,602	236	28,897	-	(1,476,469)
Pupil services					
Home-to-school transportation	689,857	-	-	-	(689,857)
Food services	1,127,323	176,220	741,114	-	(209,989)
All other pupil services	1,143,713	20,289	118,079	-	(1,005,345)
General administration					
Centralized data processing	338,490	2,016	5,122	-	(331,352)
All other general administration	1,008,225	22,312	172,854	-	(813,059)
Plant services	2,642,123	28,028	140,439	-	(2,473,656)
Ancillary services	825,958	7,946	387,481	-	(430,531)
Community services	26,976	8,155	15,864	-	(2,957)
Interest on long-term debt	2,278,067	-	-	-	(2,278,067)
Other outgo	11,259	6,550	12,741	-	8,032
Total Governmental Activities	$ 26,963,842	$ 523,563	$ 4,423,603	$ 26	(22,016,650)
	General revenues				
	Taxes and subventions				
	Property taxes, levied for general purposes				6,927,278
	Property taxes, levied for debt service				1,981,016
	Property taxes, levied for other specific purposes				256,000
	Federal and state aid not restricted for specific purposes				10,004,601
	Interest and investment earnings				47,616
	Interagency revenues				150,762
	Miscellaneous				204,378
	Subtotal, General Revenue				19,571,651
	CHANGE IN NET POSITION				(2,444,999)
	Net Position - Beginning, as Restated				(2,316,722)
	Net Position - Ending				$ (4,761,721)

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 2,111,730	$ 2,280	$ 694,482	$ 1,470,966	$ 12,406	$ 4,291,864
Accounts receivable	774,591	127,571	-	-	11,016	913,178
Due from other funds	110,873	4,462	-	-	3,521	118,856
Stores inventory	-	18,034	-	-	-	18,034
Prepaid expenditures	94,904	-	-	-	-	94,904
Total Assets	$ 3,092,098	$ 152,347	$ 694,482	$ 1,470,966	$ 26,943	$ 5,436,836
LIABILITIES						
Deficit cash	$ -	$ 28,216	$ -	$ -	$ 9,650	$ 37,866
Accrued liabilities	509,913	5,422	-	-	282	515,617
Due to other funds	7,909	98,347	74	-	12,526	118,856
Unearned revenue	172,850	-	-	-	-	172,850
Total Liabilities	690,672	131,985	74	-	22,458	845,189
FUND BALANCES						
Nonspendable	115,108	18,314	-	-	-	133,422
Restricted	462,896	2,048	694,408	1,470,966	4,435	2,634,753
Committed	282,845	-	-	-	50	282,895
Assigned	253,980	-	-	-	-	253,980
Unassigned	1,286,597	-	-	-	-	1,286,597
Total Fund Balances	2,401,426	20,362	694,408	1,470,966	4,485	4,591,647
Total Liabilities and Fund Balances	$ 3,092,098	$ 152,347	$ 694,482	$ 1,470,966	$ 26,943	$ 5,436,836

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 4,591,647
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	$ 75,441,035	
Accumulated depreciation	(24,677,766)	50,763,269
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		516,535
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(272,396)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 43,486,994	
Capital leases	181,089	
Compensated absences	92,465	
Total OPEB liability	1,061,651	
Net pension liability	21,337,279	(66,159,478)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 7,014,816	
Deferred inflows of resources related to pensions	(1,418,530)	5,596,286

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

Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 90,242	
Deferred inflows of resources related to OPEB	-	90,242
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		112,174
Total Net Position - Governmental Activities		$ (4,761,721)

FORT BRAGG UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 16,337,769	$ -	$ -	$ -	$ -	$ 16,337,769
Federal sources	1,284,118	727,591	-	-	-	2,011,709
Other state sources	1,965,987	58,412	-	18,821	55,341	2,098,561
Other local sources	1,817,999	184,674	356,159	1,979,034	160,435	4,498,301
Total Revenues	21,405,873	970,677	356,159	1,997,855	215,776	24,946,340
EXPENDITURES						
Current						
Instruction	12,526,266	-	-	-	82,177	12,608,443
Instruction-related services						
Instructional supervision and administration	812,356	-	-	-	68,244	880,600
Instructional library, media, and technology	409,428	-	-	-	-	409,428
School site administration	1,370,652	-	-	-	10,041	1,380,693
Pupil services						
Home-to-school transportation	629,813	-	-	-	-	629,813
Food services	-	1,085,204	-	-	8,734	1,093,938
All other pupil services	1,125,467	-	-	-	12,606	1,138,073
General administration						
Centralized data processing	327,380	-	-	-	-	327,380
All other general administration	905,541	46,954	-	-	10,691	963,186
Plant services	2,533,480	21,496	22,979	-	50,269	2,628,224
Ancillary services	691,739	-	-	-	-	691,739
Community services	26,969	-	-	-	-	26,969
Transfers to other agencies	11,259	-	-	-	-	11,259
Debt service						
Principal	175,763	-	-	1,170,000	-	1,345,763
Interest and other	10,813	-	-	869,836	-	880,649
Total Expenditures	21,556,926	1,153,654	22,979	2,039,836	242,762	25,016,157
Excess (Deficiency) of Revenues						
Over Expenditures	(151,053)	(182,977)	333,180	(41,981)	(26,986)	(69,817)
Other Financing Sources (Uses)						
Transfers in	-	183,583	-	-	30,777	214,360
Transfers out	(187,924)	-	(24,182)	-	(2,254)	(214,360)
Net Financing Sources (Uses)	(187,924)	183,583	(24,182)	-	28,523	-
NET CHANGE IN FUND BALANCE	(338,977)	606	308,998	(41,981)	1,537	(69,817)
Fund Balance - Beginning	2,740,403	19,756	385,410	1,512,947	2,948	4,661,464
Fund Balance - Ending	$ 2,401,426	$ 20,362	$ 694,408	$ 1,470,966	$ 4,485	$ 4,591,647

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

FORT BRAGG UNIFIED 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

Net Change in Fund Balances - Governmental Funds			$	(69,817)
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:	$	233,458		
Depreciation expense:		(2,017,189)		(1,783,731)
Debt service:				
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				1,345,763
Deferred amounts on refunding:				
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:				(39,733)
Unmatured interest on long-term debt:				
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:				7,024
Accreted interest on long-term debt:				
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.				(1,413,109)
Compensated absences:				
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:				(5,043)

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

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	95,820
Pensions: In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	(629,719)
Amortization of debt issuance premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	48,400
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	(854)
Change in Net Position of Governmental Activities	$ (2,444,999)

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 133,564
Total current assets	133,564
Total Assets	133,564
LIABILITIES	
Current liabilities	
Accrued liabilities	21,390
Total current liabilities	21,390
Total Liabilities	21,390
NET POSITION	
Restricted	112,174
Total Net Position	$ 112,174

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities
	Internal Service Fund
OPERATING REVENUE	
Charges for services	$ 235,850
Total operating revenues	235,850
OPERATING EXPENSE	
Professional services	238,348
Total operating expenses	238,348
Operating income/(loss)	(2,498)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	1,644
Total non-operating revenues/(expenses)	1,644
CHANGE IN NET POSITION	(854)
Net Position - Beginning	113,028
Net Position - Ending	$ 112,174

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

		Governmental Activities
		Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	$	236,304
Cash payments for payroll, insurance, and operating costs		(240,475)
Net cash provided by (used for) operating activities		(4,171)
Cash flows from investing activities		
Interest received		1,644
Net cash provided by (used for) investing activities		1,644
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,527)
CASH AND CASH EQUIVALENTS		
Beginning of year		136,091
End of year	$	133,564
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income (loss)	$	(2,498)
Changes in assets and liabilities:		
(Increase) decrease in due from other funds		454
Increase (decrease) in accounts payable		(2,127)
Net cash provided by (used for) operating activities	$	(4,171)

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Funds	Agency Funds
	Private-Purpose Trust Fund	Student Body Fund
ASSETS		
Cash and investments	$ 222,836	$ 227,621
Total Assets	222,836	$ 227,621
LIABILITIES		
Due to student groups	-	$ 227,621
Total Liabilities	-	$ 227,621
NET POSITION		
Restricted	222,836	
Total Net Position	$ 222,836	

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

FORT BRAGG UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Funds
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	$ 2,741
Total Additions	2,741
CHANGE IN NET POSITION	2,741
Net Position - Beginning	220,095
Net Position - Ending	$ 222,836

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

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

Major Governmental Funds

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds

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

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections* 52616[b] and 52501.5[a]).

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections* 17582–17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections* 17582 and 17583).

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

County School Facilities Fund: This fund is established pursuant to *Education Code Section* 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section* 17070 et seq.).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

Fiduciary Funds

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

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

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

D. Basis of Accounting – Measurement Focus

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

Government-Wide, Proprietary, and Fiduciary Financial Statements (continued)
Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are 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 amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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 District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

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

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury*	$ 4,246,718	$ 133,564	$ 4,380,282	$ 222,836
Cash on hand and in banks	2,000	-	2,000	227,621
Cash in revolving fund	5,280	-	5,280	-
Total cash and investments	$ 4,253,998	$ 133,564	$ 4,387,562	$ 450,457

*Investment in county treasury is shown net of deficit cash.

B. Policies and Practices

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

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

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $4,582,462 and an amortized book value of $4,603,118. The average weighted maturity for this pool is 391 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 4,582,462
Total fair market value of investments	$ 4,582,462

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 168,969	$ 112,152	$ -	$ 281,121
State Government				
Apportionment	134,723	-	-	134,723
Categorical aid	229,164	7,881	11,016	248,061
Lottery	186,011	-	-	186,011
Local Government				
Other local sources	55,724	7,538	-	63,262
Total	$ 774,591	$ 127,571	$ 11,016	$ 913,178

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 188,190	$ -	$ -	$ 188,190
Construction in progress	17,389,928	233,458	17,623,386	-
Total Capital Assets not Being Depreciated	17,578,118	233,458	17,623,386	188,190
Capital assets being depreciated				
Land improvements	2,367,893	-	-	2,367,893
Buildings & improvements	52,227,780	16,759,862	-	68,987,642
Furniture & equipment	3,033,786	863,524	-	3,897,310
Total Capital Assets Being Depreciated	57,629,459	17,623,386	-	75,252,845
Less Accumulated Depreciation				
Land improvements	1,324,609	81,598	-	1,406,207
Buildings & improvements	19,175,590	1,786,683	-	20,962,273
Furniture & equipment	2,160,378	148,908	-	2,309,286
Total Accumulated Depreciation	22,660,577	2,017,189	-	24,677,766
Governmental Activities				
Capital Assets, net	$ 52,547,000	$ 15,839,655	$ 17,623,386	$ 50,763,269

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	$	1,482,275
Instructional library, media, and technology		90,745
School site administration		91,640
Home-to-school transportation		27,270
Food services		8,362
All other general administration		8,465
Plant services		173,529
Ancillary services		134,903
Total	$	2,017,189

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2018 were as follows:

	Due From Other Funds			
Due To Other Funds	**General Fund**	**Cafeteria Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 4,462	$ 3,447	$ 7,909
Cafeteria Fund	98,347	-	-	98,347
Capital Facilities Fund	-	-	74	74
Non-Major Governmental Funds	12,526	-	-	12,526
Total Due From Other Funds	$ 110,873	$ 4,462	$ 3,521	$ 118,856

Due from the Cafeteria Fund to the General Fund for a temporary loan.	$	98,347
Due from the Child Development Fund to the General Fund for share of custodial and utilities expenses.		12,526
Due from the General Fund to the Cafeteria Fund for indirect costs.		4,462
Due from the General Fund to the Child Development Fund for preschool offset by indirect costs.		3,447
Due from the Capital Facilities Fund to the Building Fund for final modernization expense.		74
Total	$	118,856

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	Interfund Transfers In		
Interfund Transfers Out	Cafeteria Fund	Non-Major Governmental Funds	Total
General Fund	$ 183,583	$ 4,341	$ 187,924
Capital Facilities Fund	-	24,182	24,182
Non-Major Governmental Funds	-	2,254	2,254
Total Interfund Transfers	$ 183,583	$ 30,777	$ 214,360

Transfer from the General Fund to the Adult Education Fund for carryover money from prior years.	$ 268
Transfer from the General Fund to the Child Devlopment Fund for preschool account.	4,073
Transfer from the General Fund to the Cafeteria Fund for food service contribution.	183,583
Transfer from the Capital Facilities Fund to the Building Fund for final cost of modernization.	24,182
Transfer from the County School Facilities Fund to the Building Fund for final architect fees.	2,254
Total	$ 214,360

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Vendors payable	$ 509,913	$ 5,422	$ 282	$ 21,390	$ -	$ 537,007
Unmatured interest	-	-	-	-	272,396	272,396
Total	$ 509,913	$ 5,422	$ 282	$ 21,390	$ 272,396	$ 809,403

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	General Fund
Federal sources	$ 63,024
State categorical sources	109,826
Total	$ 172,850

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 42,905,170	$ 1,413,109	$ 1,170,000	$ 43,148,279	$ 955,109
Unamortized premium	387,115	-	48,400	338,715	48,400
Total general obligation bonds	43,292,285	1,413,109	1,218,400	43,486,994	1,003,509
Capital leases	356,852	-	175,763	181,089	181,089
Compensated absences	87,422	5,043	-	92,465	-
Total OPEB liability	1,067,229	-	5,578	1,061,651	-
Net pension liability	18,787,484	2,549,795	-	21,337,279	-
Total	$ 63,591,272	$ 3,967,947	$ 1,399,741	$ 66,159,478	$ 1,184,598

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for capital lease obligations are made in the General Fund
- Payments for compensated absences are paid in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $92,465. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The outstanding bonded debt of Fort Bragg Unified School District at June 30, 2018 is:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2017	Additions	Deductions	Bonds Outstanding June 30, 2018
2003	2028	3.70-7.00%	$ 6,710,000	$ 276,146	$ 25,407	$ -	$ 301,553
2004	2029	2.65-7.50%	4,996,703	5,836,832	303,597	640,000	5,500,429
2006	2031	4.00-7.91%	2,785,455	2,614,678	130,745	-	2,745,423
2007	2047	5.40-7.91%	7,620,743	12,462,447	656,179	-	13,118,626
2009	2035	2.00-12.00%	7,200,684	3,252,356	175,199	235,000	3,192,555
2011	2039	1.48-12.00%	8,797,874	9,102,711	121,982	-	9,224,693
2014	2027	2.84%	4,520,000	3,950,000	-	135,000	3,815,000
2016	2031	2.63%	5,500,000	5,410,000	-	160,000	5,250,000
				$ 42,905,170	$ 1,413,109	$ 1,170,000	$ 43,148,279

NOTE 8 – LONG-TERM DEBT

B. General Obligation Bonds (continued)

The following table summarizes the annual debt service requirements of the District for the bonds:

Year Ended June 30,	Principal	Interest	Total
2019	$ 955,109	$ 943,528	$ 1,898,637
2020	1,051,901	939,247	1,991,148
2021	1,147,925	934,197	2,082,122
2022	1,236,328	930,927	2,167,255
2023	1,267,985	921,695	2,189,680
2024 - 2028	6,287,657	5,477,501	11,765,158
2029 - 2033	6,883,981	9,646,791	16,530,772
2034 - 2038	4,155,695	14,907,680	19,063,375
2039 - 2043	6,853,099	16,350,963	23,204,062
2044 - 2047	1,877,590	13,217,410	15,095,000
Accretion	11,431,009	(11,431,009)	-
Total	$ 43,148,279	$ 52,838,930	$ 95,987,209

2016 Refunding Bonds
The net proceeds received for the 2016 Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2006 General Obligation Bonds that were current and advance refunded. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. This refunding reduced total debt service payments by $389,179 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $322,086. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to $4,135,000 and the principal balance on the 2016 Refunding Bonds amounted to $5,250,000.

C. Capital Leases

On November 3, 2014, the District entered into a forty-eight month lease of various networking and wireless internet equipment for the District-wide wireless project. The agreement provides for title to pass upon expiration of the lease period. Future minimum lease payments under this agreement are as follows:

Year Ended June 30,	Lease Payment
2019	$ 186,576
Total minimum lease payments	186,576
Less amount representing interest	(5,487)
Present value of minimum lease payments	$ 181,089

NOTE 8 – LONG-TERM DEBT

D. Other Postemployment Benefits

The District's restated beginning total OPEB liability was $1,067,229 and decreased by $5,578 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $1,061,651. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $18,787,484 and increased by $2,549,795 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $21,337,279. See Note 11 for additional information regarding the net pension liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	$ 5,000	$ 280	$ -	$ -	$ -	$ 5,280
Stores inventory	-	18,034	-	-	-	18,034
Prepaid expenditures	94,904	-	-	-	-	94,904
All others	15,204	-	-	-	-	15,204
Total non-spendable	115,108	18,314	-	-	-	133,422
Restricted						
Educational programs	462,896	-	-	-	4,429	467,325
Capital projects	-	-	694,408	-	6	694,414
Debt service	-	-	-	1,470,966	-	1,470,966
All others	-	2,048	-	-	-	2,048
Total restricted	462,896	2,048	694,408	1,470,966	4,435	2,634,753
Committed						
District-wide wireless project	282,845	-	-	-	-	282,845
Deferred maintenance	-	-	-	-	50	50
Total committed	282,845	-	-	-	50	282,895
Assigned						
Site discretionary funds	104,935	-	-	-	-	104,935
Supplemental/concentration reserve	102,099	-	-	-	-	102,099
E-rate reserve	32,752	-	-	-	-	32,752
Equipment replacement	14,194	-	-	-	-	14,194
Total assigned	253,980	-	-	-	-	253,980
Unassigned						
Reserve for economic uncertainties	680,000	-	-	-	-	680,000
Remaining unassigned	606,597	-	-	-	-	606,597
Total unassigned	1,286,597	-	-	-	-	1,286,597
Total	$ 2,401,426	$ 20,362	$ 694,408	$ 1,470,966	$ 4,485	$ 4,591,647

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Fort Bragg Unified School District's defined benefit OPEB plan, Fort Bragg Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District. The District currently provides health benefits to eligible retirees. Eligible retirees of the District may elect coverage under one of two medical/prescription drug options, the "Major Benefits PPO" or the "High Deductible PPO 1000" (available to retirees only), provided through Blue Shield of California and Mendocino County Schools ("Staywell").

B. Benefits Provided

Post-retirement coverage is available for Certificated unit members under the terms of the FBDTA bargaining agreement. Eligible employees who retire between ages 60 and 64, with at least 15 years of District service, receive a District contribution towards medical and prescription drug coverage for retiree and spouse. The District's contribution is limited to a cap which is currently $698.89 per month for the Major Benefits PPO and $424.60 per month for PPO 1000. District-paid benefits end at age 65. We have included administrators and Superintendents in this valuation and assumed that their retiree health benefits will be similar to those of Certificated retirees.

Employees may retire between the ages of 55 and 60 and receive District-paid medical benefits to age 65 if they provide 20 days of service as a substitute teacher annually until age 60. This benefit, because it is essentially paid for by teaching services rendered to the District, has not been explicitly included in this valuation as an OPEB benefit covered under GASB 45. However, we have taken the provision into account by assuming that it may be used as a "bridge" for teachers who wish to retire before age 60 but retain eligibility for the District-paid benefits from ages 60 to 65. We have reflected this in the valuation by assuming 0% turnover for active employees with at least 15 years of service and between the ages of 55 and 60.

District-paid benefits are paid at the 75% level for employees who work at least 20 hours per week, and 100% for employees who work at least 30 hours per week. There is one Classified retiree receiving District-paid benefits under a special arrangement that is not expected to be repeated in the future.

C. Contributions

The contribution requirements of Plan members and the Fort Bragg Unified School District are established and may be amended by the Fort Bragg Unified School District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	10
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	195
Total number of participants**	205

*Information not provided
**As of the July 1, 2016 valuation date

E. Total OPEB Liability

The Fort Bragg Unified School District's total OPEB liability of $1,061,651 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:	
Salary increases	4.00%
Healthcare cost trend rates	5.00%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2016 valuation were based on a review of plan experience during the period July 1, 2013 to June 30, 2016.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's Total OPEB liability is based on these requirements and the following information:

Reporting Date: June 30, 2018
Measurement Date: June 30, 2017
Municipal Bond 20-Year High Grade Rate Index: 3.13%
Discount Rate: 3.13%

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 66,641
Interest on total OPEB liability	31,789
Benefits payments	(104,008)
Net change in total OPEB liability	(5,578)
Total OPEB liability - beginning	1,067,229
Total OPEB liability - ending	$ 1,061,651
Covered payroll	$ 12,702,071
District's total OPEB liability as a percentage of covered payroll	8.36%

The Fort Bragg Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The following presents the total OPEB liability of the Fort Bragg Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13 percent) or one percentage point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Valuation Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB liability	$ 1,141,389	$ 1,061,651	$ 989,267

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Fort Bragg Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00 percent) or one percentage point higher (6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (4.00%)	Valuation Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	$ 960,455	$ 1,061,651	$ 1,179,779

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

For the fiscal year ended June 30, 2018, the Fort Bragg Unified School District recognized OPEB expense of $98,430. At June 30, 2018, the Fort Bragg Unified School District reported deferred outflows of resources related to OPEB of $90,242 resulting from District contributions subsequent to the measurement date. The $90,242 will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are 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 amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 13,743,381	$ 4,091,562	$ 1,329,121	$ 1,344,795
PERS Pension	7,593,898	2,923,254	89,409	1,068,915
Total	$ 21,337,279	$ 7,014,816	$ 1,418,530	$ 2,413,710

A. <u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $1,121,670 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $661,180 to CalSTRS.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$	13,743,381
State's proportionate share of the net pension liability associated with the District		8,130,534
Total	$	21,873,915

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.015 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $1,344,795. In addition, the District recognized pension expense and revenue of $233,683 for support provided by the State. 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
Differences between projected and actual earnings on plan investments	$ -	$ 366,025
Differences between expected and actual experience	50,824	239,707
Changes in assumptions	2,546,122	
Changes in proportion and differences between District contributions and proportionate share of contributions	372,946	723,389
District contributions subsequent to the measurement date	1,121,670	-
	$ 4,091,562	$ 1,329,121

The $1,121,670 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 526,061	$ 489,646
2020	526,061	(45,224)
2021	526,061	152,211
2022	526,063	510,824
2023	432,825	157,102
2024	432,821	64,562
	$ 2,969,892	$ 1,329,121

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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

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

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 20,179,646	$ 13,743,381	$ 8,519,915

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $662,321 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $7,593,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.032 percent, which did not change from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2018, the District recognized pension expense of $1,068,915. 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
Differences between projected and actual earnings on plan investments	$ 262,697	$ -
Differences between expected and actual experience	272,058	-
Changes in assumptions	1,109,208	89,409
Changes in proportion and differences between District contributions and proportionate share of contributions	616,970	-
District contributions subsequent to the measurement date	662,321	-
	$ 2,923,254	$ 89,409

The $662,321 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 783,977	$ 89,409
2020	966,520	-
2021	654,289	-
2022	(143,853)	-
	$ 2,260,933	$ 89,409

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	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%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 11,173,057	$ 7,593,898	$ 4,624,686

NOTE 11 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

C. Construction Commitments

As of June 30, 2018, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in four joint ventures under joint powers authorities (JPAs), the Northern California Schools Insurance Group, the Schools Insurance Group Northern Alliance, the Schools Excess Liability Fund, and the Alameda County Schools Insurance Group. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES RELATED TO DEBT REFUNDING

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was $516,535.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was $7,014,816 and total deferred inflows related to pensions was $1,418,530.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 12. At June 30, 2018, total deferred outflows related to other postemployment benefits was $90,242.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ (903,905)
Restatement	(1,412,817)
Net Position - Beginning, as Restated	$ (2,316,722)

REQUIRED SUPPLEMENTARY INFORMATION

FORT BRAGG UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 15,900,560	$ 16,040,582	$ 16,337,769	$ 297,187
Federal sources	1,293,194	1,421,619	1,284,118	(137,501)
Other state sources	1,786,597	2,099,815	1,965,987	(133,828)
Other local sources	1,589,353	1,593,657	1,811,975	218,318
Total Revenues	20,569,704	21,155,673	21,399,849	244,176
EXPENDITURES				
Certificated salaries	8,517,176	8,529,061	8,486,239	42,822
Classified salaries	3,731,064	3,752,825	3,705,448	47,377
Employee benefits	5,866,411	5,871,188	5,544,760	326,428
Books and supplies	995,146	1,104,625	840,299	264,326
Services and other operating expenditures	2,486,599	2,458,843	2,540,754	(81,911)
Capital outlay	186,576	584,179	598,795	(14,616)
Other outgo				
Excluding transfers of indirect costs	-	-	11,259	(11,259)
Transfers of indirect costs	(50,347)	(53,523)	(57,645)	4,122
Total Expenditures	21,732,625	22,247,198	21,669,909	577,289
Excess (Deficiency) of Revenues Over Expenditures	(1,162,921)	(1,091,525)	(270,060)	821,465
Other Financing Sources (Uses)				
Transfers in	256,576	256,576	186,576	(70,000)
Transfers out	(327,545)	(295,904)	(187,924)	107,980
Net Financing Sources (Uses)	(70,969)	(39,328)	(1,348)	37,980
NET CHANGE IN FUND BALANCE	(1,233,890)	(1,130,853)	(271,408)	859,445
Fund Balance - Beginning	2,092,254	2,375,795	2,375,795	-
Fund Balance - Ending	$ 858,364	$ 1,244,942	$ 2,104,387	$ 859,445

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

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Pupil Transportation Equipment Fund and the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
CAFETERIA FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Federal sources	$ 632,376	$ 633,838	$ 727,591	$ 93,753
Other state sources	52,496	52,496	58,412	5,916
Other local sources	78,500	78,500	184,674	106,174
Total Revenues	763,372	764,834	970,677	205,843
EXPENDITURES				
Classified salaries	412,708	418,870	394,043	24,827
Employee benefits	271,650	225,228	200,085	25,143
Books and supplies	318,024	320,219	380,779	(60,560)
Services and other operating expenditures	36,372	36,372	131,793	(95,421)
Capital outlay	7,000	7,000	-	7,000
Other outgo				
Transfers of indirect costs	44,997	44,997	46,954	(1,957)
Total Expenditures	1,090,751	1,052,686	1,153,654	(100,968)
Excess (Deficiency) of Revenues				
Over Expenditures	(327,379)	(287,852)	(182,977)	104,875
Other Financing Sources (Uses):				
Transfers in	317,265	285,624	183,583	(102,041)
Net Financing Sources (Uses)	317,265	285,624	183,583	(102,041)
NET CHANGE IN FUND BALANCE	(10,114)	(2,228)	606	2,834
Fund Balance - Beginning	17,528	19,756	19,756	-
Fund Balance - Ending	$ 7,414	$ 17,528	$ 20,362	$ 2,834

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 66,641
Interest on total OPEB liability	31,789
Benefits payments	(104,008)
Net change in total OPEB liability	(5,578)
Total OPEB liability - beginning	1,067,229
Total OPEB liability - ending	$ 1,061,651
Covered payroll	$ 12,702,071
District's total OPEB liability as a percentage of covered payroll	8.36%

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.015%	0.015%	0.016%	0.017%
District's proportionate share of the net pension liability	$ 13,743,381	$ 12,500,875	$ 10,838,651	$ 9,934,290
State's proportionate share of the net pension liability associated with the District	8,130,534	7,117,572	5,732,436	5,737,587
Total	$ 21,873,915	$ 19,618,447	$ 16,571,087	$ 15,671,877
District's covered payroll	$ 7,889,897	$ 7,786,100	$ 7,407,248	$ 7,447,733
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.2%	160.6%	146.3%	133.4%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.032%	0.032%	0.030%	0.031%
District's proportionate share of the net pension liability	$ 7,593,898	$ 6,286,609	$ 4,374,574	$ 3,473,845
District's covered payroll	$ 4,055,934	$ 3,529,833	$ 3,222,890	$ 3,214,971
District's proportionate share of the net pension liability as a percentage of its covered payroll	187.2%	178.1%	135.7%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 1,121,670	$ 991,243	$ 829,197	$ 663,994
Contributions in relation to the contractually required contribution*	(1,121,670)	(991,243)	(829,197)	(663,994)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,828,831	$ 7,889,897	$ 7,786,100	$ 7,407,248
Contributions as a percentage of covered payroll	14.33%	12.56%	10.65%	8.96%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 662,321	$ 562,910	$ 450,915	$ 386,846
Contributions in relation to the contractually required contribution	(662,321)	(562,910)	(450,915)	(386,846)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,270,384	$ 4,055,934	$ 3,529,833	$ 3,222,890
Contributions as a percentage of covered payroll	15.51%	13.88%	12.77%	12.00%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Services and other operating expenditures	$ 2,458,843	$ 2,540,754	$ 81,911
Capital outlay	$ 584,179	$ 598,795	$ 14,616
Other outgo			
Excluding transfers of indirect costs	$ -	$ 11,259	$ 11,259
Cafeteria Special Revenue Fund			
Books and supplies	$ 320,219	$ 380,779	$ 60,560
Services and other operating expenditures	$ 36,372	$ 131,793	$ 95,421
Other outgo			
Transfers of indirect costs	$ 44,997	$ 46,954	$ 1,957

SUPPLEMENTARY INFORMATION

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 477,514
Title I, Migrant Education	84.011	14838	20,928
Title II, Part A, Teacher Quality	84.367	14341	73,476
Title III			
Title III, English Learner Student Program	84.365	14346	33,896
Title III, Immigrant Education Program	84.365	15146	153
Subtotal Title III			34,049
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	141,910
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	9,874
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	13,735
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	328,160
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	132,735
Subtotal Special Education Cluster			460,895
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	16,255
Total U. S. Department of Education			1,248,636
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	170,520
National School Lunch Program	10.555	13391	408,244
USDA Commodities	10.555	*	29,913
Meal Supplements	10.555	*	18,719
Subtotal Child Nutrition Cluster			627,396
CACFP Claims - Centers and Family Day Care	10.558	13393	98,733
Equipment Assistance Grant	10.579	14906	1,462
Total U. S. Department of Agriculture			727,591
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	24,122
Medi-Cal Administrative Activities	93.778	10060	881
Subtotal Medicaid			25,003
Total U. S. Department of Health & Human Services			25,003
Total Federal Expenditures			$ 2,001,230

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

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
	<256305DD>	<57389679>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	534.08	536.01
Extended Year Special Education	1.09	1.09
Total TK/K through Third	535.17	537.10
Fourth through Sixth		
Regular ADA	367.66	366.46
Extended Year Special Education	0.21	0.21
Community Day School	0.24	0.56
Total Fourth through Sixth	368.11	367.23
Seventh through Eighth		
Regular ADA	250.89	248.63
Extended Year Special Education	0.09	0.09
Community Day School	2.91	4.18
Total Seventh through Eighth	253.89	252.90
Ninth through Twelfth		
Regular ADA	515.44	512.07
Extended Year Special Education	0.94	0.94
Community Day School	14.67	14.37
Total Ninth through Twelfth	531.05	527.38
TOTAL SCHOOL DISTRICT	1,688.22	1,684.61

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	51,240	180	Complied
Grade 1	50,400	52,995	180	Complied
Grade 2	50,400	52,995	180	Complied
Grade 3	50,400	55,500	180	Complied
Grade 4	54,000	55,500	180	Complied
Grade 5	54,000	55,500	180	Complied
Grade 6	54,000	58,934	180	Complied
Grade 7	54,000	58,934	180	Complied
Grade 8	54,000	58,934	180	Complied
Grade 9	64,800	67,875	180	Complied
Grade 10	64,800	67,875	180	Complied
Grade 11	64,800	67,875	180	Complied
Grade 12	64,800	67,875	180	Complied

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 22,583,024	$ 21,586,425	$ 21,977,983	$ 21,222,430
Expenditures And Other Financing Uses	22,354,733	21,857,833	21,785,320	20,814,901
Net change in Fund Balance	$ 228,291	$ (271,408)	$ 192,663	$ 407,529
Ending Fund Balance	$ 2,332,678	$ 2,104,387	$ 2,375,795	$ 2,183,132
Available Reserves*	$ 1,350,905	$ 1,286,597	$ 895,661	$ 945,762
Available Reserves As A Percentage Of Outgo	6.04%	5.89%	4.11%	4.54%
Long-term Debt	$ 64,974,880	$ 66,159,478	$ 62,524,043	$ 58,905,836
Average Daily Attendance At P-2	1,655	1,688	1,652	1,699

The General Fund balance has decreased by $78,745 over the past two years. The fiscal year 2018-19 budget projects an increase of $228,291. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by $7,253,642 over the past two years.

Average daily attendance has decreased by 11 ADA over the past two years. A decrease of 33 ADA is anticipated during the 2018-19 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

**Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Pupil Transportation Equipment Fund and the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Pupil Transportation Equipment Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2018, annual financial and budget report fund balance	$ 2,104,387	$ 14,194	$ 282,845
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	297,039	(14,194)	(282,845)
Net adjustments and reclassifications	297,039	(14,194)	(282,845)
June 30, 2018, audited financial statement fund balance	$ 2,401,426	$ -	$ -

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Charter #	Charter School	Status	Included in Audit Report
1275	Three Rivers Charter	Active	No

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	$ -	$ 12,350	$ 50	$ -	$ 6	$ 12,406
Accounts receivable	11,016	-	-	-	-	11,016
Due from other funds	-	3,447	-	74	-	3,521
Total Assets	$ 11,016	$ 15,797	$ 50	$ 74	$ 6	$ 26,943
LIABILITIES						
Deficit cash	$ 9,576	$ -	$ -	$ 74	$ -	$ 9,650
Accrued liabilities	282	-	-	-	-	282
Due to other funds	-	12,526	-	-	-	12,526
Total Liabilities	9,858	12,526	-	74	-	22,458
FUND BALANCES						
Restricted	1,158	3,271	-	-	6	4,435
Committed	-	-	50	-	-	50
Total Fund Balances	1,158	3,271	50	-	6	4,485
Total Liabilities and Fund Balance	$ 11,016	$ 15,797	$ 50	$ 74	$ 6	$ 26,943

See accompanying note to supplementary information.

FORT BRAGG UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES						
Other state sources	$ 55,075	$ 266	$ -	$ -	$ -	$ 55,341
Other local sources	(76)	160,710	1	(225)	25	160,435
Total Revenues	54,999	160,976	1	(225)	25	215,776
EXPENDITURES						
Current						
Instruction	37,515	44,662	-	-	-	82,177
Instruction-related services						
Instructional supervision and administration	3,577	64,667	-	-	-	68,244
School site administration	10,041	-	-	-	-	10,041
Pupil services						
Food services	-	8,734	-	-	-	8,734
All other pupil services	-	12,606	-	-	-	12,606
General administration						
All other general administration	2,976	7,715	-	-	-	10,691
Plant services	-	24,058	-	26,211	-	50,269
Total Expenditures	54,109	162,442	-	26,211	-	242,762
Excess (Deficiency) of Revenues						
Over Expenditures	890	(1,466)	1	(26,436)	25	(26,986)
Other Financing Sources (Uses)						
Transfers in	268	4,073	-	26,436	-	30,777
Transfers out	-	-	-	-	(2,254)	(2,254)
Net Financing Sources (Uses)	268	4,073	-	26,436	(2,254)	28,523
NET CHANGE IN FUND BALANCE	1,158	2,607	1	-	(2,229)	1,537
Fund Balance - Beginning	-	664	49	-	2,235	2,948
Fund Balance - Ending	$ 1,158	$ 3,271	$ 50	$ -	$ 6	$ 4,485

See accompanying note to supplementary information.

The Fort Bragg Unified School District, which was established in 1960, is located along California's north coast approximately 150 miles north of San Francisco. The District encompasses the City of Fort Bragg and adjacent land in Mendocino County which is generally defined by the North Fork of the Noyo River to the east, Highway 20 to the South, the Pacific Ocean to the West, and the community of Rockport to the North.

The District currently operates two elementary schools, one middle school, one high school, one continuation school, one adult school and two community day schools.

GOVERNING BOARD

Member	Office	Term Expires
Jennifer Owen	President	November 2018
Kathy Babcock	Vice President	November 2020
Gerald Matson	Member	November 2018
Diana Paoli	Member	November 2020
Sydney Smith-Tallman	Member	November 2018

DISTRICT ADMINISTRATORS

Rebecca Walker
Superintendent

Wendy Boise
Director of Business Services

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 2,011,709
Medi-Cal Billing Option	93.778	(10,479)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 2,001,230

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

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

Combining Statements – Non-Major Funds
These statements provide information on the District’s non-major funds.

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

OTHER INDEPENDENT AUDITORS' REPORTS

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associates

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

Independent Auditors' Report

Governing Board
Fort Bragg Unified School District
Fort Bragg, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Bragg Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fort Bragg Unified School District's basic financial statements, and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 11, 2018

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

Independent Auditors' Report

Governing Board
Fort Bragg Unified School District
Fort Bragg, California

Report on Compliance for Each Major Federal Program

We have audited Fort Bragg Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fort Bragg Unified School District's major federal programs for the year ended June 30, 2018. Fort Bragg Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Fort Bragg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 11, 2018

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Fort Bragg Unified School District
Fort Bragg, California

Report on State Compliance

We have audited Fort Bragg Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Fort Bragg Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fort Bragg Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Fort Bragg Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Compliance

In our opinion, Fort Bragg Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as item #2018-001. Our opinion on state compliance is not modified with respect to this matter.

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

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study, because the ADA reported at P-2 was not material.

Christy White Associates

San Diego, California
December 11, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants

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

STATE AWARDS

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

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings for the year ended June 30, 2018.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There were no Federal award findings and questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING#2018-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of 2016-17 SARCs posted in 2017-18, the following issues were noted regarding facilities conditions:

Fort Bragg Middle School

- The External system was noted “Poor” on the FIT form but “Good” on the SARC.
- The Overall rating was noted “Good” on the FIT form but “Exemplary” on the SARC.

Fort Bragg High School

- The Overall rating was noted “Exemplary” on the FIT form but “Good” on the SARC.

Cause: Clerical errors in posting the SARC.

Questioned Costs: Not applicable.

Effect: The SARCs were not accurate.

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs.

Corrective Action Plan: The District acknowledges the discrepancy between the FITs and the SARCs. We will work closely with the administrators to be sure that they coordinate their responses with the FMO Director prior to finalizing their reports.

FINDING #2017-001 –SCHOOL ACCOUNTABILITY REPORT CARDS (72000)

Criteria: The District is required to annually complete a "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction and approved by the State Allocation Board and applicable to the School Accountability Report Card(s) selected in 1., or a local evaluation instrument that meets the same criteria, pursuant to subdivision (d) of Education Code section 17002.

Condition: For the audited SARC's, the District completed monthly insurance self-inspection forms, which are not approved forms. The insurance forms do not use the good-fair-poor system. We determined site administrators are completing School Accountability Report Cards (SARC's) by knowledge of facility and not based on results of FIT. The District had implemented the proper use of FIT forms prior to the testing, but it was not in evidence for the SARC's that were audited since the testing was performed on the 2015-16 SARC's published in 2016-17.

Questioned Costs: None

Cause: District was using a form that was not approved to conduct facilities inspections. Additionally, site administrators were not using the FIT or inspections instrument for completing annual SARC's.

Effect: While site SARC's were not found to contradict school facilities conditions, there is a potential for the SARC's to mislead the public if they are not based on procedures that include completing approved FITS for each site.

Recommendation: District should implement the use of the approved Facility Inspection Tools on a regular basis and use the results of this form to complete SARC's.

District Response: As mentioned, the proper forms have been implemented. However, the timing was such that the SARC information reflected prior year standards used. We have transitioned to the proper FITs.

Current Status: Implemented, but see SARC finding at #2018-001.

FINDING #2017-002: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: Education Code Section 8482.3 states that after school programs participating in the ASES program are required to submit student outcome data to the California Department of Education which includes measurable student outcomes including attendance. As a result, ASES 2016-17 1st Half After School Base Attendance Report (covering the period of August to December 2016) was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

Condition: Attendance reported for Fort Bragg Middle School, Dana Gray Elementary, and Redwood Elementary did not reconcile to sign-in sheets, supporting excel attendance counts and Aeries data. The attendance reported for Fort Bragg Middle School on the 1st Half Base Grant Attendance Report submitted to CDE was 4,478 while the auditor testing counted 4,424 attendance days. The attendance reported for Dana Gray Elementary on the 1st Half Base Grant Attendance Report submitted to CDE was 8,235 while the auditor testing counted 8,141 attendance days. The attendance reported for Redwood Elementary on the 1st Half Base Grant Attendance Report submitted to CDE was 6,749 while the auditor testing counted showed 6,728 attendance days.

Cause: Errors in ASES attendance counts.

Effect: Errors were made calculating number of students served. For the attendance report submitted to the CDE for the 1st Half: After School Base, the District reported a total number of 19,462 students. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be decreased to a total of 19,293 students served.

Context: An overstatement of 169 students served for the ASES 2016-17 1st Half Base period was noted.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater. Since the finding noted a net over reporting of 246 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore, there is no questioned cost.

Recommendation: We recommend the District implement a process to accurately calculate the attendance of the After School Education & Safety (ASES) Program for reporting purposed to the California Department of Education.

District Response: The District acknowledges that we have, in the past, not been consistent with our after school attendance records. This situation has been corrected, pursuant to the prior year's finding. The random sample selected for this audit included the attendance records for the month prior to month of implementation so the correction was not yet in evidence.

Current Status: Implemented.

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APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF FORT BRAGG AND MENDOCINO COUNTY

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

General

The City is located in the north western section of the County, on the Mendocino coast approximately 170 miles north of San Francisco, surrounded by redwood forests and the Pacific Ocean. The County is bounded by the Pacific Ocean to the west, Sonoma County to the south and by Humboldt and Trinity Counties to the north.

The area was first settled as an army post in 1857 to administer and control the Mendocino Indian Reservation. The army abandoned the fort in 1864 and in 1867 the lands were opened for settlement. The City developed with the construction of Union Lumber's first mill in 1885. The City was incorporated in 1889 as a general law city. Situated approximately half-way between Eureka and San Francisco, the area offers a blend of natural resources, recreation, and scenery. Fishing, wood products, and tourism are the primary industries of the City.

Mendocino County

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

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

Population

The County's population at January 1, 2019, the most recent estimate, was 89,009 according to the State Department of Finance. The table below shows population estimates for the County, for the last five years.

MENDOCINO COUNTY
Population Estimates
Calendar Years 2015 through 2019 as of January 1

Area	2015	2016	2017	2018	2019
Fort Bragg	7,377	7,440	7,449	7,519	7,478
Point Arena	427	429	437	466	463
Ukiah	15,785	15,796	15,889	16,368	16,296
Willits	5,028	5,088	5,092	5,025	4,996
Balance Of County	59,598	59,968	60,225	59,752	59,776
Total County	**88,215**	**88,721**	**89,092**	**89,130**	**89,009**

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

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Largest Employers

The following table lists major employers within the County as of August 2019, being the most current date for which such information is available. The employers are listed in alphabetical order without regard to the number of employees.

MENDOCINO COUNTY
Major Employers (Listed Alphabetically)
As of August 2019

Employer Name	Location	Industry
California Department-Forestry	Willits	Government Offices-State
City of Ukiah	Ukiah	Government Offices-City, Village & Twp
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Talmage	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Frank R Howard Memorial Hosp	Willits	Hospitals
Little River Inn Golf & Tennis	Little River	Hotels & Motels
Mendocino Coast District Hosp	Fort Bragg	Hospitals
Mendocino Community Health	Ukiah	Clinics
Mendocino County Office-Edu	Ukiah	Government Offices-County
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Forest Products	Ukiah	Lumber-Manufacturers
Mendocino Redwood Co LLC	Calpella	Nonclassified Establishments
Metalfx	Willits	Sheet Metal Fabricators (mfrs)
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Redwood Empire Packing Inc	Ukiah	Fruits & Vegetables-Growers & Shippers
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Sho-Ka-Wah Casino	Hopland	Casinos
Ukiah City Civic Ctr	Ukiah	Government Offices-City, Village & Twp
Ukiah VALLEY Med Ctr	Ukiah	Hospitals
Ukiah Valley Medical Center	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Employment and Industry

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

Mendocino County
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force [(1)]	40,380	39,860	39,640	39,630	39,720
Employment	37,560	37,550	37,550	37,840	38,150
Unemployment	2,820	2,320	2,090	1,790	1,560
Unemployment Rate	7.0%	5.8%	5.3%	4.5%	3.9%
Wage and Salary Employment: [(2)]					
Agriculture	1,530	1,400	1,360	1,380	1,380
Mining, Logging, and Construction	1,320	1,340	1,370	1,540	1,660
Manufacturing	2,490	2,510	2,550	2,540	2,450
Wholesale Trade	830	730	740	840	830
Retail Trade	4,380	4,650	4,730	4,760	4,820
Transportation, Warehousing, Utilities	650	690	710	710	720
Information	270	250	250	230	230
Financial Activities	1,050	1,040	1,050	1,060	1,050
Professional and Business Services	1,660	1,700	1,670	1,670	1,780
Educational and Health Services	5,570	5,500	5,580	5,750	5,850
Leisure and Hospitality	4,230	4,290	4,410	4,410	4,490
Other Services	770	780	790	810	810
Federal Government	260	270	280	270	270
State Government	560	590	570	560	580
Local Government	6,210	6,280	6,400	6,400	6,330
Total, All Industries [(3)]	31,760	32,020	32,440	32,950	33,250

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

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be $314,053,488, a 0.85% increase over the total taxable sales of $311,417,856 reported during the first quarter of calendar year 2017. Annual figures are not yet available for calendar year 2018.

MENDOCINO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2013 through 2017
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2013	2,629	$976,584	3,742	$1,304,197
2014	2,623	996,040	3,732	1,333,741
2015(1)	1,538	1,034,850	4,001	1,378,476
2016	2,489	1,075,436	4,145	1,424,943
2017	2,529	1,111,403	4,460	1,467,165

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2018 in the City were reported to be $33,561,011, an 8.73% increase over the total taxable sales of $30,866,213 reported during the first quarter of calendar year 2017. Annual figures are not yet available for calendar year 2018.

CITY OF FORT BRAGG
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2013 through 2017
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2013	300	$113,428	427	$134,570
2014	310	115,294	424	133,122
2015(1)	287	121,444	439	144,220
2016	295	123,971	445	143,678
2017	296	132,218	441	148,968

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Construction Trends

Provided below are the building permits and valuations for the County and City for calendar years 2014 through 2018.

MENDOCINO COUNTY
Total Building Permit Valuations
Calendar Years 2014 through 2018
(dollars in thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$13,054.7	$15,467.7	$11,628.5	$17,779.4	$29,034.7
New Multi-family	537.0	224.7	8,400.0	224.9	0.0
Res. Alterations/Additions	6,503.6	7,345.8	10,523.7	7,241.9	985.7
Total Residential	$20,095.3	$23,038.2	$30,552.2	$25,246.2	$39,303.1
New Commercial	$3,687.9	$8,608.5	$3,937.5	$14,404.3	$4,248.8
New Industrial	460.7	515.0	78.2	775.3	5.0
New Other	4,445.3	4,173.1	4,008.9	2,859.7	20,105.1
Com. Alterations/Additions	6,023.7	6,201.4	6,652.3	2,240.8	7,387.6
Total Nonresidential	$14,617.6	$19,498.0	$14,676.9	$20,280.1	$31,746.5
New Dwelling Units					
Single Family	72	85	70	91	157
Multiple Family	7	2	48	2	0
TOTAL	79	87	118	93	157

Source: Construction Industry Research Board, Building Permit Summary

CITY OF FORT BRAGG
Total Building Permit Valuations
Calendar Years 2014 through 2018
(dollars in thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$919.8	$1,493.6	$1,169.4	$2,268.4	$4,228.6
New Multi-family	224.0	224.9	0.0	224.9	0.0
Res. Alterations/Additions	1,944.4	1,440.8	2,054.1	1,591.0	2,288.7
Total Residential	$3.088.1	$3,159.3	$3,223.4	$4,084.2	$6,517.3
New Commercial	$383.5	$573.6	$477.3	$283.1	$1,411.8
New Industrial	22.0	0.0	0.0	0.0	0.0
New Other	600.5	757.4	166.5	227.5	1,377.0
Com. Alterations/Additions	886.1	406.1	1,190.4	225.9	1,232.1
Total Nonresidential	$1,892.1	$1,737.0	$1,834.1	$736.5	$4,020.8
New Dwelling Units					
Single Family	6	9	9	13	23
Multiple Family	2	2	0	2	0
TOTAL	8	11	9	15	23

Source: Construction Industry Research Board, Building Permit Summary

Effective Buying Income

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

The following table summarizes the total effective buying income and median household effective buying income for the City, County, the State and the United States for the period 2015 through 2019.

CITY OF FORT BRAGG, MENDOCINO COUNTY,
STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
For Calendar Years 2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of Fort Bragg	$128,518	$35,674
	Mendocino County	1,679,050	38,181
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Fort Bragg	$150,798	$37,521
	Mendocino County	1,878,358	40,060
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Fort Bragg	$144,741	$35,273
	Mendocino County	1,886,213	40,032
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Fort Bragg	$127,236	$36,069
	Mendocino County	1,833,429	40,496
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fort Bragg	$140,320	$39,710
	Mendocino County	1,958,994	42,231
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (Us), Inc. For Years 2015 Through 2018; Claritas, Llc For 2019.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

September 18, 2019

Board of Trustees
Fort Bragg Unified School District
312 S. Lincoln Street
Fort Bragg, CA 95220

OPINION: $8,375,000 Fort Bragg Unified School District
(Mendocino County, California)
2019 Refunding General Obligation Bonds (Federally Taxable)

Members of the Board of Trustees:

We have acted as bond counsel to the Fort Bragg Unified School District (the "District") in connection with the issuance by the District of $8,375,000 principal amount of Fort Bragg Unified School District (Mendocino County, California) 2019 Refunding General Obligation Bonds (Federally Taxable), dated the date hereof (the "Bonds"), under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees of the District (the "Board") adopted on August 8, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

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

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

3. The Bonds have been duly issued by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Mendocino County is obligated under the laws of the State of California to cause to be levied a tax without limit as to rate or amount upon the property in the District subject to taxation by the District for the payment when due of the principal of and interest on the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$8,375,000
FORT BRAGG UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
2019 Refunding General Obligation Bonds
(Federally Taxable)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Fort Bragg Unified School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on August 8, 2019 (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 S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means, initially the District, or any successor third party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means Stifel, Nicolaus. & Company, Incorporated, the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be April 1), commencing no later than April 1, 2020, with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

(i) Assessed value of taxable property in the jurisdiction of the District as shown on the most recent equalized assessment roll;

(ii) Assessed value of the top twenty property taxpayers in the District as shown on the most recent equalized assessment roll;

(iii) Property tax collection delinquencies in the District for the most recently completed Fiscal Year, but only if the District's general obligation bond tax levies are not included in Mendocino County's Teeter Plan and such information is available from the County; and

(iv) The District's most recently adopted budget or interim report showing budgeted figures available at the time of filing the Annual Report.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Termination of Reporting Obligation</u>. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. <u>Dissemination Agent</u>. 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 Agent, with or without appointing a successor Dissemination Agent.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond 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 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.

Date: September 18, 2019

FORT BRAGG UNIFIED SCHOOL DISTRICT

By: ______________________________________

Name: ____________________________________

Title: _____________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Fort Bragg Unified School District
Name of Bond Issue:	$8,375,000 Fort Bragg Unified School District (Mendocino County, California) 2019 Refunding General Obligation Bonds (Federally Taxable)
Date of Issuance:	September 18, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Trustees of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:__________________

DISSEMINATION AGENT

By: ______________________________
Authorized Officer

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

MENDOCINO COUNTY INVESTMENT POOL INVESTMENT POLICY AND MONTHLY REPORT

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COUNTY OF MENDOCINO

STATEMENT OF INVESTMENT POLICY

OFFICE OF
SHARI L. SCHAPMIRE
MENDOCINO COUNTY TREASURER
JANUARY 2019

I. Introduction

As designated by the Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer to secure and protect the public funds of the County, as well as establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational, and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations in a manner anticipated to provide additional benefits to the citizens of the County of Mendocino. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also levels out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing funds.

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27136, and 53600 - 53686. The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws will be the focus of this policy statement. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. This document is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices.

II. Scope

This Investment Policy applies to all the County's financial assets and investment activities with the following exceptions:

A. Proceeds of debt issuance shall be invested in accordance with the County's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated quarterly, on the average daily balance method, to the various funds based on their respective participation and in accordance with generally accepted accounting principles. All costs related to investing, maintaining, and accounting for the investments purchased for the Treasury Pool, as authorized by California Government Code Section 27013, shall be apportioned equally on the same basis.

III. General Objectives

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks. The specific objectives for the program are ranked in order of importance:

1. ***Safety***: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

2. ***Liquidity***: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

3. ***Return on Investments***: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Yield is definitely considered to be of much less importance than safety and liquidity and shall not be a driving force in determining which investments are selected for purchase.

IV. PRUDENCE, INDEMNIFICATION, AND ETHICS

A. *Prudent Investor Standard*: Management of the County's investments is governed by the Prudent Investor Standard as set forth in California Government Code Section 53600.3:

> **"…**all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the County, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

B. *Indemnification*: The Treasurer and other authorized persons responsible for managing County funds, acting in accordance with the investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.

C. *Ethics*: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. DELEGATION OF AUTHORITY

A. Authority to manage the County's investment program is derived from California Government Code Sections 53600 *et seq.* The governing body is responsible for the County's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of County funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees.

B. The County may engage the services of one or more external investment managers to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

A. The County Treasurer will determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:

1. Primary government dealers as designated by the Federal Reserve Bank;

2. Non-primary government dealers;

3. Nationally or state-chartered banks;

4. The Federal Reserve Bank; and,

5. Direct issuers of securities eligible for purchase.

B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the County will be at the sole discretion of the County.

C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq*. and the County's Investment Policy.

D. Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the investment adviser.

E. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.

B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County will be held in safekeeping by a third party bank custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County.

C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions to the extent possible or through the use of a nationally recognized trading platform.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of the State of California and as described within this Investment Policy. Percentage holding limits and credit rating minimums are applicable at the time the security is purchased. Permitted investments under this policy will include:

1. **Municipal Securities.** These include obligations of the County, the State of California, and any local Agency within the State of California. In addition, Municipal Securities include obligations of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California. The bonds will be registered in the name of the County or held under a custodial agreement at a bank. The securities are rated in a rating category of "A" or higher by at least one nationally recognized statistical rating organization (NRSRO).

    a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,

    b. No more than five percent per issuer.

c. No more than 30% of the portfolio may be invested in Municipal Securities.

2. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the County may invest in U.S. Treasuries.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase.

3. **Federal Agency** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the County may invest in government-sponsored enterprises.

   a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,

   b. No more than 25% of the pool value shall be invested in any single issuer.

4. **Banker's Acceptances** provided that:

   a. They are issued by institutions with short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and have long-term debt obligations which are rated in the rating category of "A" or higher by at least two NRSROs;

   b. The maturity does not exceed 180 days; and,

   c. No more than 40% of the total portfolio may be invested in banker's acceptances; and,

   d. No more than five percent per issuer.

5. **Federally Insured Time Deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:

   a. The amount per institution is limited to the maximum covered under federal insurance; and,

   b. The maturity of such deposits does not exceed five years; and,

   c. No more than five percent per issuer.

6. **Supranationals** provided that:

   a. Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank; and,

   b. The securities are rated in the rating category of "AA" or higher by two NRSROs; and,

   c. No more than 30% of the total portfolio may be invested in these securities; and,

   d. No more than 10% of the portfolio per issuer; and,

   e. The maximum maturity does not exceed five years.

7. **Time Deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:

   a. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits; and,

   b. The maturity of such deposits does not exceed five years; and,

   c. No more than five percent per issuer.

8. Certificate of Deposit Placement Service (CDARS) provided that:

   a. No more than 30% of the total portfolio may be invested in a combination of negotiable certificates of deposit including CDARS; and,

   b. The maturity of such deposits does not exceed five years.

9. **Negotiable Certificates of Deposit (NCDs)** provided that:

   a. They are issued by institutions which have long-term obligations which are rated in the rating category of "A" or higher by at least two NRSROs; and/or have short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and,

   b. The maturity does not exceed five years; and,

   c. No more than 30% of the total portfolio may be invested in NCDs; and,

   d. No more than five percent per issuer.

10. **Repurchase Agreements** collateralized with securities authorized under Sections VI and VIII (2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

    a. The maximum maturity of repurchase agreements will be one year; and,

    b. There is no limit to the amount to be invested in repurchase agreements; and

    c. Securities used as collateral for repurchase agreements will be delivered to the County's custodian bank (See Section VII B); and,

    d. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

11. **Commercial Paper** provided that:

    a. The maturity does not exceed 270 days from the date of purchase; and,

    b. The issuer is a corporation organized and operating in the United States with assets in excess of $500 million; and,

    c. They are issued by institutions whose short term obligations are rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and whose long-term obligations are rated in the rating category of "A" or higher by at least two NRSROs; and,

    d. No more than 40% of the portfolio is invested in commercial paper; and,

    e. No more than five percent per issuer.

12. **State of California Local County Investment Fund (LAIF)**, provided that:

    a. The County may invest up to the maximum permitted amount in LAIF; and,

    b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

13. **Local Government Investment Pools**

14. **Corporate Medium Term Notes (MTNs),** provided that:

a. Such notes have a maximum maturity of five years; and,

b. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States; and,

c. Are rated in the rating category of “A” or better by at least two NRSROs; and,

d. Holdings of medium-term notes may not exceed 30% of the portfolio; and,

e. No more than five percent per issuer.

15. **Mortgage Pass-Through Securities and Asset-Backed Securities,** provided that such securities:

    a. Have a maximum stated final maturity of five years; and

    b. Be rated in a rating category of “AA” or its equivalent or better by at least two NRSROs; and,

    c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.

    d. No more than five percent of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a federal agency/government-sponsored entity.

16. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:

    a. Provided that such funds meet either of the following criteria:

        1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs; or,

        2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of $500 million.

    b. Purchase of Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 10% in any one mutual fund. Money Market Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 20% in any one money market mutual fund.

c. No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

IX. PORTFOLIO RISK MANAGEMENT

A. *Prohibited investment vehicles and practices*:

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.

2. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.

3. Purchasing securities with a final maturity longer than five years, unless approved by the Board of Supervisors, is prohibited.

4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

5. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.

6. Purchasing or selling securities on margin is prohibited.

7. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.

8. The purchase of foreign currency denominated securities is prohibited.

B. *Mitigating credit risk in the portfolio*: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The County will mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio;

2. No more than five percent of the total portfolio may be invested in securities of any single issuer, unless otherwise specified in this policy;

3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or County's risk preferences; and,

4. If a security's credit ratings owned by the County are downgraded to a level below the quality required by this Investment Policy, it will be the County's policy to review

the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

a. If a security is downgraded below the minimum required by this investment policy, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.

b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported quarterly to the governing board.

C. *Mitigating market risk in the portfolio*: Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The County will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;

2. The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%;

3. The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy; and,

4. The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) of a Market Benchmark Index selected by the County based on the County’s investment objectives, constraints, and risk tolerances.

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.

B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the selected Market Benchmark Index.

XI. SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth in Section III above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacco products, firearms, or weapons not used in our national defense.

XII. PROCEDURES AND INTERNAL CONTROLS

A. *Procedures*: The Treasurer will establish written investment policy procedures in a separate investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy as designated in Appendix I and the procedures established by the Treasurer.

B. *Internal Controls*: The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the County's investment procedures manual.

XIII. DEPOSIT AND WITHDRAWAL OF FUNDS

A. *Deposits*: Funds will be accepted at all times from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the Treasury Pool. The County Treasurer, in conjunction with the Auditor, shall set conditions under which funds from local agencies not required to have their funds in the Treasury Pool may deposit voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the Treasury Pool.

B. Withdrawals: Under language added to the California Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds in the Treasury Pool, to withdraw funds in order to invest outside the Treasury Pool. Local agencies within the County who voluntarily participate in the Treasury Pool may withdraw their funds under conditions set forth in California Government Code Section 27136.

XIV. REPORTING, DISCLOSURE, AND PROGRAM EVALUATION

A. *Monthly Reports*: Monthly investment reports will be distributed electronically by the Treasurer to the governing board and pool participants. These reports will disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, date of maturity, and interest rate;

2. A one-page summary report that shows:

    a. Average maturity of the portfolio and modified duration of the portfolio;

    b. Maturity distribution of the portfolio;

    c. Average portfolio credit quality.

B. *Quarterly Reports*: Investment reports will be provided to the Board of Supervisors on a quarterly basis. The quarterly report shall be submitted within 30 days following the end of the quarter. These reports will disclose all information provided in the monthly reports, as well as the following:

1. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,

2. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.

C. *Annual Reports*:

1. The investment policy will be reviewed and adopted by the Board of Supervisors at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends.

2. A comprehensive annual report will be issued at the conclusion of each fiscal year. This report will include comparisons of the County's return to the Benchmark Index return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

D. *Annual Audit*: An independent review by an external expert will be conducted annually to assure compliance with internal controls and adherence to the Investment Policy.

Policy approved by the Mendocino County Board of Supervisors on January 8, 2019.

Appendix I

Authorized Personnel

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations, the following job classes are authorized to transact investment business and wire funds for investment purposes on behalf of the County of Mendocino:

Assistant Treasurer-Tax Collector
Deputy Treasurer-Tax Collector (Treasurer Division)
Treasury Specialist

Appendix II

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

- **FFCB.** The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.
- **FHLB.** The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.
- **FHLMC.** Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.
- **FNMA.** Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.
- **GNMA.** The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.
- **PEFCO.** The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.
- **TVA.** The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Certificate of Deposit Account Registry SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

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

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

Diversification. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

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

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO). A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.

Mendocino County Consolidated

Account #70006

Portfolio Summary

As of June 30, 2019

PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.94
Average Coupon	1.88%
Average Purchase YTM	1.95%
Average Market YTM	1.94%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	0.98 yrs
Average Life	0.97 yrs

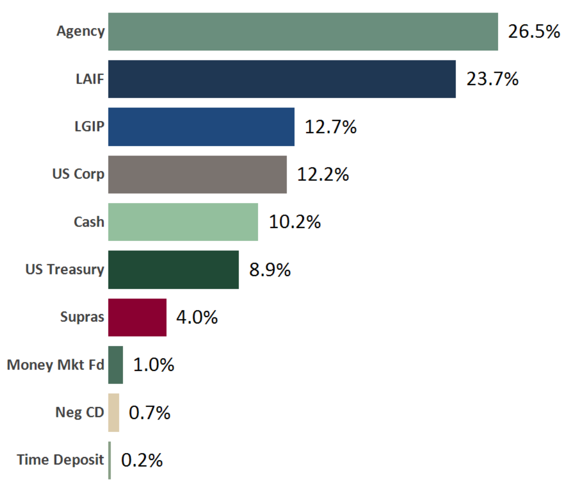
ACCOUNT SUMMARY

	Beg. Values as of 5/31/19	End Values as of 6/30/19
Market Value	285,009,850	275,175,486
Accrued Interest	892,509	1,091,172
Total Market Value	**285,902,360**	**276,266,657**
Income Earned	367,168	379,223
Cont/WD		
Par	285,192,174	274,827,979
Book Value	284,687,494	274,342,215
Cost Value	284,431,579	274,076,063

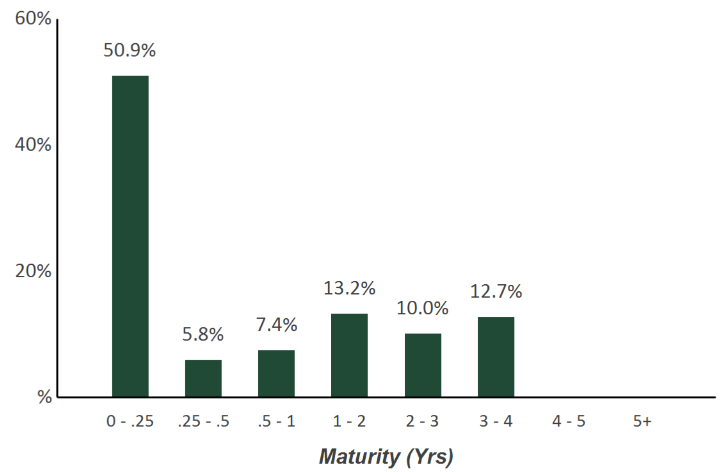
TOP ISSUERS

Local Agency Investment Fund	23.7%
Federal Home Loan Bank	12.7%
CAMP	12.7%
Custodial Checking Account	9.7%
Government of United States	8.9%
Federal National Mortgage Assoc	5.8%
Federal Home Loan Mortgage Corp	4.5%
Federal Farm Credit Bank	3.4%
Total	**81.5%**

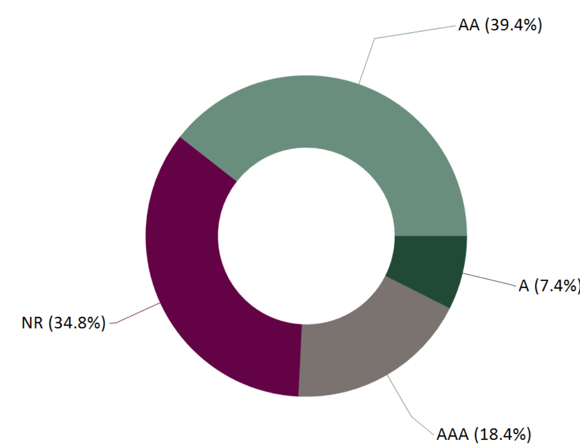
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Statement of Compliance

As of June 30, 2019

County of Mendocino Consolidated

This portfolio is a consolidation of assets managed by Chandler Asset Management and assets managed internally by Client. Chandler relies on Client to provide accurate information for reporting assets and producing this compliance statement.

Category	Standard	Comment
Municipal Issues	"A" rated category or higher by a NRSRO; 5% per issuer; Include bonds of the County, State of California, any other state, and any local County within the State of California	*Complies*
Treasury Issues	No limitation	*Complies*
Agency Issues	25% max per issuer	*Complies*
Supranationals	"AA" rated category or higher by two NRSROs; 30% maximum; 10% per issuer; Unsubordinated obligations issued by IBRD, IFC, IADB	*Complies*
Banker's Acceptances	"A-1" or higher short term ratings by two NRSROs; and "A" rated or higher long term debt by two NRSROs; 40% maximum; 5% per issuer; 180 days max maturity	*Complies*
Commercial Paper	"A-1" or higher short term ratings by two NRSROs; and "A" rated or higher long term debt by two NRSROs; 40% maximum; 5% per issuer; 270 days max maturity; Issuer is a corporation organized and operating in the U.S. with assets in excess of $500 million	*Complies*
Negotiable Certificates of Deposit	"A" or higher long term ratings by two NRSROs; and/or "A-1" or higher short term ratings by two NRSROs; 30% maximum (includes CDARS); 5% per issuer	*Complies*
Corporate Medium Term Notes	"A" rated or better by two NRSROs; 30% maximum; 5% per issuer; Issued by corporations organized and operating within U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	*Complies*
Mutual Funds and Money Market Mutual Funds	Highest rating or "AAA" rated by two NRSROs; or SEC registered adviser with AUM >$500 million and experience greater than 5 years; 20% maximum in Mutual Funds; 10% max per Mutual Fund; 20% maximum in Money Market Mutual Funds; 20% max per Money Market Mutual Fund	*Complies*
FDIC insured Time Deposits/ Certificates of Deposit	Amount per institution limited to the max covered under FDIC; 20% maximum (combination of FDIC insured and collateralized TDs/ CDs); 5% per issuer	*Complies*
Collateralized Time Deposits/ Certificates of Deposit	20% maximum (combination of FDIC insured and collateralized TDs/ CDs); 5% per issuer	*Complies*
Asset Backed Securities (ABS) and Mortgage Pass Throughs (MPTs)	"AA" rated or better by two NRSROs; "A" rated or higher for the issuer's debt by two NRSROs; 20% maximum; 5% per issuer in Asset Backed or Commercial Mortgage security issuer. No issuer limitation on any Mortgage security where the issuer is U.S. Treasury or Federal agency/GSE	*Complies*
Local Agency Investment Fund (LAIF)/ Local Government Investment Pools	Maximum permitted amount by LAIF	*Complies*
Repurchase Agreements	No limitation; 1 year maximum maturity; 102% collateralized	*Complies*
Prohibited	Inverse floaters; ranges notes; interest-only strips from mortgaged backed securities; zero interest accrual securities; Securities with maturity longer than 5 years (unless approved by the Board of Supervisors); Margin; Reverse Repurchase Agreements, Securities lending; Foreign currency denominated securities; Social and Environmental Concerns: Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacoo products, firearms, or weapons not used in our national defense.	*Complies*
Maximum Callables	20% max of callable securities (does not include "make whole call")	*Complies*
Maximum Per Issuer	5% max per issuer, unless otherwise specified in the policy	*Complies*
Maximum maturity	5 years maximum maturity	*Complies*

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3133EFW52	FFCB Note 1.15% Due 7/1/2019	2,400,000.00	04/05/2016 1.00%	2,411,640.00 2,400,000.00	100.00 1.15%	2,400,000.00 13,800.00	0.87% 0.00	Aaa / AA+ AAA	0.00 0.00
3137EADK2	FHLMC Note 1.25% Due 8/1/2019	2,000,000.00	04/28/2015 1.34%	1,992,880.00 1,999,858.06	99.92 2.21%	1,998,324.00 10,416.67	0.73% (1,534.06)	Aaa / AA+ AAA	0.09 0.09
3135G0N33	FNMA Note 0.875% Due 8/2/2019	1,000,000.00	07/29/2016 0.93%	998,320.00 999,950.90	99.88 2.23%	998,788.00 3,621.53	0.36% (1,162.90)	Aaa / AA+ AAA	0.09 0.09
313380FB8	FHLB Note 1.375% Due 9/13/2019	660,000.00	10/30/2015 1.38%	659,795.40 659,989.27	99.83 2.20%	658,885.26 2,722.50	0.24% (1,104.01)	Aaa / AA+ NR	0.21 0.20
3137EADM8	FHLMC Note 1.25% Due 10/2/2019	2,000,000.00	04/29/2015 1.44%	1,983,422.00 1,999,045.94	99.76 2.20%	1,995,150.00 6,180.56	0.72% (3,895.94)	Aaa / AA+ AAA	0.26 0.25
3130ACM92	FHLB Note 1.5% Due 10/21/2019	2,525,000.00	10/27/2017 1.68%	2,516,415.00 2,523,666.41	99.78 2.20%	2,519,551.05 7,364.58	0.91% (4,115.36)	Aaa / AA+ AAA	0.31 0.31
3130AA3R7	FHLB Note 1.375% Due 11/15/2019	2,000,000.00	11/17/2016 1.39%	1,999,400.00 1,999,924.73	99.73 2.11%	1,994,520.00 3,513.89	0.72% (5,404.73)	Aaa / AA+ AAA	0.38 0.37
3135G0ZY2	FNMA Note 1.75% Due 11/26/2019	1,300,000.00	06/30/2015 1.62%	1,307,294.30 1,300,670.53	99.85 2.11%	1,298,100.70 2,211.81	0.47% (2,569.83)	Aaa / AA+ AAA	0.41 0.40
313381C94	FHLB Note 1.25% Due 12/13/2019	790,000.00	01/28/2016 1.33%	787,732.70 789,735.43	99.58 2.18%	786,697.01 493.75	0.28% (3,038.42)	Aaa / AA+ AAA	0.45 0.45
3135G0T29	FNMA Note 1.5% Due 2/28/2020	2,600,000.00	Various 1.52%	2,598,252.00 2,599,613.68	99.62 2.09%	2,590,008.20 13,325.00	0.94% (9,605.48)	Aaa / AA+ AAA	0.67 0.65
3133EHFL2	FFCB Note 1.55% Due 4/13/2020	1,450,000.00	04/27/2017 1.57%	1,449,014.00 1,449,738.22	99.65 2.00%	1,444,965.60 4,869.58	0.52% (4,772.62)	Aaa / AA+ AAA	0.79 0.77
3137EAEF2	FHLMC Note 1.375% Due 4/20/2020	1,800,000.00	04/19/2017 1.48%	1,794,258.00 1,798,459.72	99.49 2.01%	1,790,859.60 4,881.25	0.65% (7,600.12)	Aaa / AA+ AAA	0.81 0.79
3137EADR7	FHLMC Note 1.375% Due 5/1/2020	1,600,000.00	10/21/2015 1.38%	1,599,579.20 1,599,922.36	99.43 2.07%	1,590,864.00 3,666.67	0.58% (9,058.36)	Aaa / AA+ AAA	0.84 0.82
313383HU8	FHLB Note 1.75% Due 6/12/2020	1,700,000.00	07/28/2017 1.57%	1,708,449.00 1,702,800.19	99.75 2.02%	1,695,716.00 1,570.14	0.61% (7,084.19)	Aaa / AA+ NR	0.95 0.94
3130ACE26	FHLB Note 1.375% Due 9/28/2020	2,000,000.00	09/22/2017 1.65%	1,983,940.00 1,993,350.96	99.34 1.91%	1,986,792.00 7,104.17	0.72% (6,558.96)	Aaa / AA+ NR	1.25 1.22
3137EAEJ4	FHLMC Note 1.625% Due 9/29/2020	2,250,000.00	09/28/2017 1.67%	2,247,097.50 2,248,792.39	99.66 1.90%	2,242,350.00 9,343.75	0.82% (6,442.39)	Aaa / AA+ AAA	1.25 1.22

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3137EAEK1	FHLMC Note 1.875% Due 11/17/2020	800,000.00	11/27/2017 1.95%	798,368.00 799,240.41	99.97 1.90%	799,748.00 1,833.33	0.29% 507.59	Aaa / AA+ AAA	1.39 1.35
3130A3UQ5	FHLB Note 1.875% Due 12/11/2020	2,000,000.00	02/12/2018 2.32%	1,975,680.00 1,987,533.64	99.96 1.90%	1,999,266.00 2,083.33	0.72% 11,732.36	Aaa / AA+ NR	1.45 1.42
3130A7CV5	FHLB Note 1.375% Due 2/18/2021	2,000,000.00	02/23/2016 1.43%	1,994,480.00 1,998,187.28	99.27 1.83%	1,985,316.00 10,159.72	0.72% (12,871.28)	Aaa / AA+ AAA	1.64 1.60
3135G0J20	FNMA Note 1.375% Due 2/26/2021	2,500,000.00	03/17/2016 1.52%	2,482,725.00 2,494,203.41	99.23 1.85%	2,480,775.00 11,935.76	0.90% (13,428.41)	Aaa / AA+ AAA	1.66 1.62
313379RB7	FHLB Note 1.875% Due 6/11/2021	2,400,000.00	08/30/2017 1.65%	2,419,562.40 2,410,078.89	100.03 1.86%	2,400,636.00 2,500.00	0.87% (9,442.89)	Aaa / AA+ AAA	1.95 1.90
3130A8QS5	FHLB Note 1.125% Due 7/14/2021	2,600,000.00	08/09/2016 1.25%	2,584,400.00 2,593,548.42	98.75 1.75%	2,567,598.80 13,568.75	0.93% (25,949.62)	Aaa / AA+ AAA	2.04 1.99
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,000,000.00	07/30/2018 2.86%	1,968,440.00 1,976,817.65	101.48 1.78%	2,029,548.00 22,166.67	0.74% 52,730.35	Aaa / AA+ AAA	2.54 2.43
313378WG2	FHLB Note 2.5% Due 3/11/2022	3,000,000.00	04/09/2018 2.65%	2,983,650.00 2,988,757.23	101.82 1.81%	3,054,495.00 22,916.67	1.11% 65,737.77	Aaa / AA+ NR	2.70 2.58
3135G0T45	FNMA Note 1.875% Due 4/5/2022	2,900,000.00	06/21/2017 1.87%	2,901,218.00 2,900,703.07	100.18 1.81%	2,905,196.80 12,989.58	1.06% 4,493.73	Aaa / AA+ AAA	2.77 2.67
313379Q69	FHLB Note 2.125% Due 6/10/2022	2,215,000.00	06/06/2018 2.81%	2,157,500.82 2,172,778.95	100.87 1.82%	2,234,272.72 2,745.68	0.81% 61,493.77	Aaa / AA+ AAA	2.95 2.84
3130A5P45	FHLB Note 2.375% Due 6/10/2022	1,500,000.00	05/21/2019 2.26%	1,505,190.00 1,505,003.81	101.60 1.81%	1,523,989.50 2,078.13	0.55% 18,985.69	Aaa / AA+ AAA	2.95 2.83
313383WD9	FHLB Note 3.125% Due 9/9/2022	2,200,000.00	01/16/2019 2.66%	2,235,266.00 2,230,894.18	104.00 1.83%	2,288,068.20 21,388.89	0.84% 57,174.02	Aaa / AA+ AAA	3.20 3.01
3135G0T78	FNMA Note 2% Due 10/5/2022	3,000,000.00	05/20/2019 2.22%	2,979,030.00 2,979,727.30	100.70 1.78%	3,020,994.00 14,333.33	1.10% 41,266.70	Aaa / AA+ AAA	3.27 3.13
3133EKHN9	FFCB Note 2.33% Due 10/18/2022	3,000,000.00	05/01/2019 2.32%	3,001,380.00 3,001,314.55	101.54 1.85%	3,046,233.00 14,174.17	1.11% 44,918.45	Aaa / AA+ AAA	3.30 3.15
313381BR5	FHLB Note 1.875% Due 12/9/2022	1,500,000.00	09/20/2018 3.01%	1,432,965.00 1,445,283.77	100.22 1.81%	1,503,249.00 1,718.75	0.54% 57,965.23	Aaa / AA+ AAA	3.45 3.32
3135G0T94	FNMA Note 2.375% Due 1/19/2023	2,700,000.00	03/18/2019 2.46%	2,691,819.00 2,692,425.86	101.97 1.80%	2,753,068.50 28,856.25	1.01% 60,642.64	Aaa / AA+ AAA	3.56 3.36

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3130ADRG9	FHLB Note 2.75% Due 3/10/2023	3,000,000.00	03/28/2019 2.24%	3,057,120.00 3,053,396.50	102.92 1.93%	3,087,531.00 25,437.50	1.13% 34,134.50	Aaa / AA+ NR	3.70 3.48
3133834G3	FHLB Note 2.125% Due 6/9/2023	2,750,000.00	06/10/2019 2.00%	2,763,035.00 2,762,856.32	101.20 1.81%	2,783,107.25 3,571.18	1.01% 20,250.93	Aaa / AA+ NR	3.95 3.76
3133EKSN7	FFCB Note 1.77% Due 6/26/2023	2,500,000.00	06/21/2019 1.89%	2,488,375.00 2,488,414.78	99.69 1.85%	2,492,192.50 614.58	0.90% 3,777.72	Aaa / AA+ AAA	3.99 3.83
Total Agency		**72,640,000.00**	**1.89%**	**72,457,693.32 72,546,684.81**	**1.90%**	**72,946,856.69 310,158.12**	**26.52% 400,171.88**	**Aaa / AA+ AAA**	**1.98 1.90**
CASH									
90CHECK$1	Checking Deposit Bank Account	26,840,858.90	Various 0.00%	26,840,858.90 26,840,858.90	1.00 0.00%	26,840,858.90 0.00	9.72% 0.00	NR / NR NR	0.00 0.00
90CASH$00	Cash Custodial Cash Account	1,379,436.61	Various 0.00%	1,379,436.61 1,379,436.61	1.00 0.00%	1,379,436.61 0.00	0.50% 0.00	NR / NR NR	0.00 0.00
Total Cash		**28,220,295.51**	**N/A**	**28,220,295.51 28,220,295.51**	**0.00%**	**28,220,295.51 0.00**	**10.21% 0.00**	**NR / NR NR**	**0.00 0.00**
LAIF									
90LAIF$00	Local Agency Investment Fund State Pool	65,000,000.00	Various 2.41%	65,000,000.00 65,000,000.00	1.00 2.41%	65,000,000.00 396,573.29	23.67% 0.00	NR / NR NR	0.00 0.00
Total LAIF		**65,000,000.00**	**2.41%**	**65,000,000.00 65,000,000.00**	**2.41%**	**65,000,000.00 396,573.29**	**23.67% 0.00**	**NR / NR NR**	**0.00 0.00**
LOCAL GOV INVESTMENT POOL									
90CAMP$00	California Asset Mgmt Program CAMP	35,000,000.00	Various 2.45%	35,000,000.00 35,000,000.00	1.00 2.45%	35,000,000.00 0.00	12.67% 0.00	NR / AAA NR	0.00 0.00
Total Local Gov Investment Pool		**35,000,000.00**	**2.45%**	**35,000,000.00 35,000,000.00**	**2.45%**	**35,000,000.00 0.00**	**12.67% 0.00**	**NR / AAA NR**	**0.00 0.00**

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
MONEY MARKET FUND FI									
261908107	Dreyfus Trsy/Agcy Cash Management 521	2,727,683.33	Various 2.20%	2,727,683.33 2,727,683.33	1.00 2.20%	2,727,683.33 0.00	0.99% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		**2,727,683.33**	**2.20%**	**2,727,683.33** **2,727,683.33**	**2.20%**	**2,727,683.33** **0.00**	**0.99%** **0.00**	**Aaa / AAA** **NR**	**0.00** **0.00**
NEGOTIABLE CD									
89114MNQ6	Toronto Dominion Bank Yankee CD 3.09% Due 12/2/2019	2,000,000.00	11/29/2018 3.09%	2,000,000.00 2,000,000.00	100.00 3.09%	2,000,000.00 36,565.00	0.74% 0.00	P-1 / A-1+ F-1+	0.42 0.42
Total Negotiable CD		**2,000,000.00**	**3.09%**	**2,000,000.00** **2,000,000.00**	**3.09%**	**2,000,000.00** **36,565.00**	**0.74%** **0.00**	**Aaa / AAA** **AAA**	**0.42** **0.42**
SUPRANATIONAL									
459058DW0	Intl. Bank Recon & Development Note 1.875% Due 10/7/2019	1,750,000.00	01/31/2017 1.60%	1,762,670.00 1,751,269.59	99.93 2.13%	1,748,750.50 7,656.25	0.64% (2,519.09)	Aaa / AAA AAA	0.27 0.27
4581X0CX4	Inter-American Dev Bank Note 1.625% Due 5/12/2020	1,375,000.00	04/05/2017 1.70%	1,371,741.25 1,374,085.47	99.62 2.07%	1,369,717.25 3,041.23	0.50% (4,368.22)	Aaa / AAA AAA	0.87 0.85
459058GA5	Intl. Bank Recon & Development Note 1.625% Due 9/4/2020	2,000,000.00	08/22/2017 1.63%	1,999,580.00 1,999,835.74	99.62 1.95%	1,992,398.00 10,562.50	0.73% (7,437.74)	Aaa / AAA AAA	1.18 1.15
45950KCM0	International Finance Corp Note 2.25% Due 1/25/2021	720,000.00	01/18/2018 2.35%	717,883.20 718,891.38	100.53 1.91%	723,808.80 7,020.00	0.26% 4,917.42	Aaa / AAA NR	1.58 1.52
45950KCJ7	International Finance Corp Note 1.125% Due 7/20/2021	1,600,000.00	11/29/2017 2.12%	1,544,832.00 1,568,819.89	98.56 1.84%	1,576,988.80 8,050.00	0.57% 8,168.91	Aaa / AAA NR	2.06 2.01
4581X0CN6	Inter-American Dev Bank Note 1.75% Due 4/14/2022	1,500,000.00	04/24/2018 2.92%	1,434,810.00 1,454,200.54	99.84 1.81%	1,497,580.50 5,614.58	0.54% 43,379.96	Aaa / AAA AAA	2.79 2.70
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	2,000,000.00	05/04/2018 2.93%	1,904,540.00 1,929,695.81	99.85 1.80%	1,997,044.00 10,402.78	0.73% 67,348.19	NR / NR AAA	3.21 3.09
Total Supranational		**10,945,000.00**	**2.16%**	**10,736,056.45** **10,796,798.42**	**1.93%**	**10,906,287.85** **52,347.34**	**3.97%** **109,489.43**	**Aaa / AAA** **AAA**	**1.74** **1.69**

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
TIME DEPOSIT									
90MEND$09	Savings Bank of Mendocino Coun Time Deposit 0.3% Due 3/3/2020	250,000.00	03/03/2019 0.30%	250,000.00 250,000.00	100.00 0.30%	250,000.00 57.53	0.09% 0.00	NR / NR NR	0.68 0.68
90MEND$10	Savings Bank of Mendocino Coun Time Deposit 0.3% Due 3/20/2020	250,000.00	03/20/2019 0.30%	250,000.00 250,000.00	100.00 0.30%	250,000.00 22.92	0.09% 0.00	NR / NR NR	0.72 0.73
Total Time Deposit		**500,000.00**	**0.30%**	**500,000.00** **500,000.00**	**0.30%**	**500,000.00** **80.45**	**0.18%** **0.00**	**NR / NR** **NR**	**0.70** **0.70**
US CORPORATE									
084670BL1	Berkshire Hathaway Note 2.1% Due 8/14/2019	1,500,000.00	03/16/2017 1.72%	1,513,185.00 1,500,662.26	99.96 2.37%	1,499,466.00 11,987.50	0.55% (1,196.26)	Aa2 / AA A+	0.12 0.12
17275RBG6	Cisco Systems Note 1.4% Due 9/20/2019	1,800,000.00	03/28/2017 1.73%	1,785,780.00 1,798,724.45	99.79 2.36%	1,796,130.00 7,070.00	0.65% (2,594.45)	A1 / AA- NR	0.22 0.22
24422ETJ8	John Deere Capital Corp Note 1.25% Due 10/9/2019	1,700,000.00	09/27/2016 1.43%	1,691,160.00 1,699,199.28	99.74 2.18%	1,695,636.10 4,840.28	0.62% (3,563.18)	A2 / A A	0.28 0.27
037833AX8	Apple Inc Note 1.55% Due 2/7/2020	1,850,000.00	Various 1.54%	1,852,225.00 1,850,083.23	99.58 2.25%	1,842,298.45 11,310.70	0.67% (7,784.78)	Aa1 / AA+ NR	0.61 0.59
22160KAG0	Costco Wholesale Corp Note 1.75% Due 2/15/2020	1,700,000.00	11/01/2016 1.57%	1,709,894.00 1,701,891.26	99.61 2.38%	1,693,349.60 11,238.89	0.62% (8,541.66)	Aa3 / A+ NR	0.63 0.61
747525AD5	Qualcomm Inc Note 2.25% Due 5/20/2020	1,700,000.00	10/06/2016 1.67%	1,734,408.00 1,708,471.27	99.97 2.29%	1,699,445.80 4,356.25	0.62% (9,025.47)	A2 / A- NR	0.89 0.87
437076BQ4	Home Depot Note 1.8% Due 6/5/2020	200,000.00	06/12/2017 1.77%	200,150.00 200,046.96	99.65 2.18%	199,305.60 260.00	0.07% (741.36)	A2 / A A	0.93 0.92
458140AQ3	Intel Corp Note 2.45% Due 7/29/2020	1,750,000.00	01/24/2017 2.00%	1,776,775.00 1,758,248.12	100.20 2.26%	1,753,570.00 18,102.78	0.64% (4,678.12)	A1 / A+ A+	1.08 1.05
857477AS2	State Street Bank Note 2.55% Due 8/18/2020	1,590,000.00	12/11/2017 2.19%	1,604,993.70 1,596,340.54	100.44 2.15%	1,597,065.96 14,979.12	0.58% 725.42	A1 / A AA-	1.14 1.10
02665WAZ4	American Honda Finance Note 2.45% Due 9/24/2020	1,800,000.00	02/14/2017 2.25%	1,812,492.00 1,804,284.33	100.21 2.28%	1,803,726.00 11,882.50	0.66% (558.33)	A2 / A NR	1.24 1.20
594918BG8	Microsoft Callable Note Cont. 10/03/20 2% Due 11/3/2020	2,000,000.00	12/03/2015 2.01%	1,999,240.00 1,999,791.76	99.96 2.03%	1,999,204.00 6,444.44	0.73% (587.76)	Aaa / AAA AA+	1.35 1.31

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US CORPORATE									
44932HAG8	IBM Credit Corp Note 2.65% Due 2/5/2021	1,500,000.00	02/12/2018 2.72%	1,496,880.00 1,498,320.88	100.55 2.29%	1,508,289.00 16,120.83	0.55% 9,968.12	A1 / A A	1.61 1.54
06406FAB9	Bank of NY Mellon Corp Callable Note Cont 4/3/2021 2.05% Due 5/3/2021	1,700,000.00	12/13/2016 2.50%	1,668,771.00 1,686,875.62	99.80 2.16%	1,696,569.40 5,614.72	0.62% 9,693.78	A1 / A AA-	1.84 1.79
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	1,775,000.00	Various 3.05%	1,784,554.00 1,780,982.43	101.94 2.15%	1,809,371.10 6,409.73	0.66% 28,388.67	A2 / A A	1.89 1.75
68389XBK0	Oracle Corp Callable Note Cont 8/01/21 1.9% Due 9/15/2021	1,800,000.00	10/25/2017 2.20%	1,779,786.00 1,788,504.09	99.49 2.14%	1,790,888.40 10,070.00	0.65% 2,384.31	A1 / AA- A	2.21 2.14
91159HHP8	US Bancorp Callable Cont 12/23/2021 2.625% Due 1/24/2022	890,000.00	01/19/2017 2.66%	888,469.20 889,213.64	101.07 2.18%	899,514.10 10,188.65	0.33% 10,300.46	A1 / A+ AA-	2.57 2.37
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	1,750,000.00	03/09/2018 2.96%	1,717,222.50 1,728,072.20	100.83 2.09%	1,764,458.50 16,197.22	0.64% 36,386.30	A2 / A NR	2.63 2.28
91159HHC7	US Bancorp Callable Note Cont 2/15/2022 3% Due 3/15/2022	1,000,000.00	04/12/2018 3.05%	997,970.00 998,596.47	102.26 2.11%	1,022,574.00 8,833.33	0.37% 23,977.53	A1 / A+ AA-	2.71 2.50
911312BC9	UPS Callable Note Cont 4/16/2022 2.35% Due 5/16/2022	1,240,000.00	04/10/2018 2.99%	1,209,632.40 1,218,671.59	100.60 2.13%	1,247,475.96 3,642.50	0.45% 28,804.37	A1 / A+ NR	2.88 2.69
89236TEL5	Toyota Motor Credit Corp Note 2.7% Due 1/11/2023	1,500,000.00	05/20/2019 2.66%	1,501,890.00 1,501,833.16	101.61 2.22%	1,524,087.00 19,125.00	0.56% 22,253.84	Aa3 / AA- A+	3.54 3.31
931142DH3	Wal-Mart Stores Callable Note Cont 1/11/2023 2.55% Due 4/11/2023	1,500,000.00	05/01/2019 2.62%	1,495,965.00 1,496,130.44	101.44 2.12%	1,521,636.00 8,500.00	0.55% 25,505.56	Aa2 / AA AA	3.78 3.35
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	1,000,000.00	05/20/2019 2.65%	990,790.00 991,045.48	100.99 2.13%	1,009,902.00 3,866.67	0.37% 18,856.52	Aa1 / AA+ NR	3.84 3.64
Total US Corporate		**33,245,000.00**	**2.24%**	**33,212,232.80** **33,195,989.46**	**2.21%**	**33,373,962.97** **211,041.11**	**12.16%** **177,973.51**	**A1 / A+** **A+**	**1.65** **1.54**
US TREASURY									
912828UB4	US Treasury Note 1% Due 11/30/2019	2,000,000.00	12/04/2015 1.56%	1,957,194.20 1,995,522.04	99.54 2.12%	1,990,704.00 1,693.99	0.72% (4,818.04)	Aaa / AA+ AAA	0.42 0.41
912828UL2	US Treasury Note 1.375% Due 1/31/2020	1,250,000.00	02/13/2018 2.15%	1,231,396.48 1,244,439.73	99.59 2.08%	1,244,922.50 7,169.37	0.45% 482.77	Aaa / AA+ AAA	0.59 0.58

Holdings Report

As of June 30, 2019

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828VA5	US Treasury Note 1.125% Due 4/30/2020	2,600,000.00	Various 1.44%	2,572,789.96 2,593,455.43	99.27 2.02%	2,580,905.60 4,956.26	0.94% (12,549.83)	Aaa / AA+ AAA	0.84 0.82
912828L65	US Treasury Note 1.375% Due 9/30/2020	2,500,000.00	12/30/2015 1.79%	2,452,449.78 2,487,475.24	99.36 1.89%	2,483,985.00 8,640.71	0.90% (3,490.24)	Aaa / AA+ AAA	1.25 1.23
912828L99	US Treasury Note 1.375% Due 10/31/2020	2,600,000.00	04/14/2016 1.20%	2,619,508.71 2,605,735.09	99.35 1.87%	2,583,141.60 6,023.10	0.94% (22,593.49)	Aaa / AA+ AAA	1.34 1.31
912828P87	US Treasury Note 1.125% Due 2/28/2021	2,400,000.00	Various 1.45%	2,368,765.85 2,387,502.59	98.87 1.81%	2,372,906.40 9,024.46	0.86% (14,596.19)	Aaa / AA+ AAA	1.67 1.64
912828D72	US Treasury Note 2% Due 8/31/2021	2,400,000.00	12/28/2016 2.01%	2,398,508.04 2,399,307.37	100.53 1.75%	2,412,748.80 16,043.48	0.88% 13,441.43	Aaa / AA+ AAA	2.17 2.10
912828U81	US Treasury Note 2% Due 12/31/2021	1,000,000.00	01/30/2018 2.40%	984,960.94 990,387.62	100.67 1.72%	1,006,719.00 54.35	0.36% 16,331.38	Aaa / AA+ AAA	2.51 2.43
9128282P4	US Treasury Note 1.875% Due 7/31/2022	3,000,000.00	12/28/2018 2.53%	2,932,851.56 2,942,194.84	100.45 1.72%	3,013,476.00 23,463.40	1.10% 71,281.16	Aaa / AA+ AAA	3.09 2.96
912828M80	US Treasury Note 2% Due 11/30/2022	2,300,000.00	04/17/2019 2.38%	2,270,082.03 2,271,756.71	100.90 1.73%	2,320,752.90 3,896.17	0.84% 48,996.19	Aaa / AA+ AAA	3.42 3.29
912828R69	US Treasury Note 1.625% Due 5/31/2023	2,500,000.00	04/11/2019 2.30%	2,433,593.75 2,436,986.77	99.61 1.73%	2,490,137.50 3,440.92	0.90% 53,150.73	Aaa / AA+ AAA	3.92 3.77
Total US Treasury		**24,550,000.00**	**1.90%**	**24,222,101.30** **24,354,763.43**	**1.85%**	**24,500,399.30** **84,406.21**	**8.90%** **145,635.87**	**Aaa / AA+** **AAA**	**2.00** **1.94**
TOTAL PORTFOLIO		**274,827,978.84**	**1.95%**	**274,076,062.71** **274,342,214.96**	**1.94%**	**275,175,485.65** **1,091,171.52**	**100.00%** **833,270.69**	**Aa1 / AA+** **AAA**	**0.98** **0.94**
TOTAL MARKET VALUE PLUS ACCRUED						**276,266,657.17**			

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)