PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 8, 2020

NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

RATING: S&P: "AA-"
See "RATING" herein.

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

$3,000,000*
FORTUNA ELEMENTARY SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

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

Authority and Purpose. The above-captioned General Obligation Bonds Election of 2018, Series B, are being issued by the Fortuna Elementary School District pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on December 12, 2019. The Bonds were authorized at an election of the registered voters of the District held on June 5, 2018, which authorized the issuance of $10,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2018 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Humboldt 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). The District has other series of general obligation bonds outstanding which are similarly secured by tax levies. See "SECURITY FOR THE BONDS."

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

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 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, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about January 30, 2020.*

RBC Capital Markets

The date of this Official Statement is ________, 2020.

**Preliminary; subject to change.*

MATURITY SCHEDULE*

FORTUNA ELEMENTARY SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

Base CUSIP†: 34960A

$_________ Serial Bonds

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

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

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

FORTUNA ELEMENTARY SCHOOL DISTRICT
(Humboldt County, California)

DISTRICT ADMINISTRATION

Jeff Northern, *Superintendent*
Jennifer Goodner, *Budget Manager*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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$3,000,000*
FORTUNA ELEMENTARY SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

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

INTRODUCTION

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

The District. The District is comprised of the former Fortuna Union Elementary School District (the "**Former Fortuna District**") and the former Rohnerville School District (the "**Former Rohnerville District**").

At an election held on November 8, 2011 within the Former Fortuna District and in the Former Rohnerville District (together, the "**Former Districts**"), the voters approved the consolidation and merger of the Former Districts, effective July 1, 2012, into the Fortuna Elementary School District. Pursuant to Education Code section 35573, as a result of the merger, bonded indebtedness of the Former Districts will be payable from *ad valorem* taxes within the area represented by the District.

The District, located in the southern portion of Humboldt County (the "**County**"), encompasses about 29.5 square miles and provides educational services to residents in and around the City of Fortuna. The District currently operates two elementary schools and two middle schools. Enrollment in the District for the 2019-20 school year is approximately 1,123 students, not including charter school enrollment.

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

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on June 5, 2018 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election to authorize $10 million of general obligation bonds, and will be issued pursuant to certain provisions of the Government Code

* *Preliminary; subject to change.*

of the State and a resolution adopted by the Board of Trustees of the District on December 12, 2019 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. See "THE BONDS – Description of the Bonds" herein.

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

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

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

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

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

Tax Matters; Bank Qualified. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from personal income taxes in the State. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. 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 a continuing disclosure certificate (the "**Continuing Disclosure Certificate**"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 500 9th Street, Fortuna, CA 95540, Telephone: (707) 725-2293. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $10,000,000 (the "**2018 Authorization**").

On September 20, 2018, the District issued its $4,000,000 aggregate principal amount of General Obligation Bonds Election of 2018, Series A (the "**Series 2018A Bonds**") pursuant to the 2018 Authorization. Following the issuance of the Bonds, there will be $3,000,000* unused authorization remaining under the 2018 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on June 5, 2018, the abbreviated text of which appeared on the ballot as follows:

> *"To improve the quality of education with funding that cannot be taken by the State; repair or replace leaky roofs; and modernize/renovate outdated classrooms, restrooms and school facilities; shall the Fortuna Elementary School District issue $10,000,000 of bonds at legal rates, generating on average $645,000 annually through approximately 2053 for issued bonds from levies of approximately 3 cents per $100 assessed value, with annual audits, independent citizens' oversight, NO money for salaries and all money for local schools?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2018 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

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

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2020 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof

* *Preliminary; subject to change.*

unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2020, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

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

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

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

Redemption*

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

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

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* *Preliminary; subject to change.*

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

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

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

Notice of Redemption

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

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

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in 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 and Discharge of Bonds

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

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

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

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

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

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

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

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

“Federal Securities” means: 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.

DEBT SERVICE SCHEDULES

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

Fortuna Elementary School District
General Obligation Bonds
Election of 2018, Series B
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
TOTAL			

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

	Former Rohnerville School District			Fortuna Elementary School District				
Bond Year Ending August 1	**Election of 2010, Series A**	**Election of 2010, Series B**	**Election of 2010, Series C**	**2015 Refunding Bonds**	**2016 Refunding Bonds**	**Election of 2018, Series A**	**The Bonds**	**Total Debt Service**
2020	$68,250.00	$35,000.00	$186,400.00	$232,395.00	$71,162.50	$490,037.50		
2021	--	40,000.00	188,350.00	236,095.00	145,762.50	157,237.50		
2022	--	55,000.00	189,600.00	239,695.00	143,862.50	157,237.50		
2023	--	60,000.00	200,150.00	258,007.50	141,012.50	157,237.50		
2024	--	70,000.00	199,300.00	255,727.50	143,162.50	157,237.50		
2025	--	80,000.00	207,750.00	273,257.50	140,162.50	157,237.50		
2026	--	90,000.00	149,800.00	280,152.50	142,162.50	157,237.50		
2027	--	100,000.00	--	286,402.50	144,012.50	157,237.50		
2028	--	110,000.00	--	302,352.50	140,712.50	157,237.50		
2029	--	125,000.00	--	307,392.50	142,412.50	197,237.50		
2030	--	135,000.00	--	321,947.50	138,962.50	205,637.50		
2031	--	150,000.00	--	330,565.00	140,512.50	213,637.50		
2032	--	155,000.00	--	348,465.00	141,912.50	221,237.50		
2033	--	174,209.20	--	355,365.00	143,162.50	228,437.50		
2034	--	184,674.60	--	366,485.00	143,937.50	235,237.50		
2035	--	195,769.20	--	386,735.00	144,550.00	241,637.50		
2036	--	363,178.20	--	395,860.00	--	252,637.50		
2037	--	375,000.00	--	408,925.00	--	258,900.00		
2038	--	391,208.40	--	425,943.76	--	269,837.50		
2039	--	410,722.90	--	441,800.00	--	279,500.00		
2040	--	426,720.00	--	451,000.00	--	286,750.00		
2041	--	447,863.25	--	369,200.00	--	298,250.00		
2042	--	605,000.00	--	--	--	308,750.00		
2043	--	968,329.80	--	--	--	318,250.00		
2044	--	1,023,818.25	--	--	--	331,750.00		
2045	--	1,064,736.00	--	--	--	344,000.00		
2046	--	1,106,791.25	--	--	--	355,000.00		
2047	--	1,150,000.00	--	--	--	369,750.00		
2048	--	--	--	--	--	378,000.00		
2049	--	--	--	--	--	--		
2050	--	--	--	--	--	--		
Total	$68,250.00	$10,093,021.05	$1,321,350.00	$7,273,768.76	$2,207,462.50	$7,342,375.00		

SOURCES AND USES OF FUNDS

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

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

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

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. In accordance with Section 53515 of the California Government Code, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the ad valorem tax imposed to service the Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the ad valorem tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Economic Conditions. 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 or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION - Assessed Valuation" for additional information about recent notable disasters in the State.

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Fortuna Elementary School District, Election of 2018, Series B Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Fortuna Elementary School District, Election of 2018, Series B Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. However, Senate Bill 813 (enacted by Statutes of 1983, Chapter 498) (**"SB 813"**), provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

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

Taxation of State-Assessed Utility Property

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

Assessed Valuation

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

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

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

FORTUNA ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2005-06 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2005-06	$753,995,473	$25,929	$42,311,595	$796,332,997[1]	--%
2006-07	836,582,755	26,224	43,709,689	883,318,668[1]	10.9
2007-08	918,980,782	26,224	49,169,836	968,176,842[1]	9.6
2008-09	986,457,544	23,205	52,557,690	1,039,038,439[1]	7.3
2009-10	1,006,091,372	0	54,644,823	1,060,736,195[1]	2.1
2010-11	994,357,540	0	49,270,504	1,043,628,044[1]	(1.6)
2011-12	1,000,738,764	62,740	47,072,485	1,047,873,989[1]	0.4
2012-13	1,008,356,473	12,932	46,672,159	1,055,041,564	0.7
2013-14	1,022,182,867	12,932	45,898,719	1,068,094,518	1.2
2014-15	1,048,924,036	12,932	51,484,367	1,100,421,335	3.0
2015-16	1,068,450,087	12,932	56,497,039	1,124,960,058	2.2
2016-17	1,082,858,269	14,133	58,284,968	1,141,157,370	1.4
2017-18	1,128,812,983	14,133	58,186,852	1,187,013,968	4.0
2018-19	1,181,947,861	14,133	59,391,779	1,241,353,773	4.6
2019-20	1,259,013,217	14,133	62,540,038	1,321,567,388	6.5

(1) Former Fortuna and Former Rohnerville Districts combined.
Source: California Municipal Statistics, Inc.

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

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. 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. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2019-20. As shown, the majority of the District's assessed valuation is represented by residential property.

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

	2019-20	% of	No. of	% of
Non-Residential:	**Assessed Valuation (1)**	**Total**	**Parcels**	**Total**
Agricultural/Rural/Timber	$ 27,748,079	2.20%	299	5.02%
Commercial/Office	188,638,264	14.98	294	4.94
Vacant Commercial	6,958,964	0.55	62	1.04
Industrial	8,293,123	0.66	35	0.59
Vacant Industrial	4,525,252	0.36	26	0.44
Government/Social/Institutional	1,434,735	0.11	301	5.05
Oil & Gas	4,052,158	0.32	41	0.69
Subtotal Non-Residential	$241,650,575	19.19%	1,058	17.76%
Residential:				
Single Family Residence	$ 869,290,377	69.05%	3,836	64.39%
Condominium	9,495,494	0.75	49	0.82
Mobile Home	19,050,821	1.51	311	5.22
Mobile Home Park	5,283,887	0.42	7	0.12
2-4 Residential Units	59,674,143	4.74	252	4.23
5+ Residential Units/Apartments	32,765,308	2.60	52	0.87
Vacant Residential	21,802,612	1.73	392	6.58
Subtotal Residential	$1,017,362,642	80.81%	4,899	82.24%
Total	$1,259,013,217	100.00%	5,957	100.00%

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

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2019-20, including the median and average assessed value of single family parcels in the District.

FORTUNA ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2019-20

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,836	$869,290,377	$226,614	$208,180

2019-20 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	34	0.886%	0.886%	$ 559,312	0.064%	0.064%
$25,000 - $49,999	169	4.406	5.292	6,847,110	0.788	0.852
$50,000 - $74,999	238	6.204	11.496	14,629,082	1.683	2.535
$75,000 - $99,999	226	5.892	17.388	19,889,845	2.288	4.823
$100,000 - $124,999	259	6.752	24.140	29,065,724	3.344	8.167
$125,000 - $149,999	270	7.039	31.178	36,943,598	4.250	12.416
$150,000 - $174,999	310	8.081	39.260	50,398,544	5.798	18.214
$175,000 - $199,999	322	8.394	47.654	60,366,233	6.944	25.158
$200,000 - $224,999	317	8.264	55.918	67,471,938	7.762	32.920
$225,000 - $249,999	287	7.482	63.399	68,212,141	7.847	40.767
$250,000 - $274,999	240	6.257	69.656	62,974,030	7.244	48.011
$275,000 - $299,999	226	5.892	75.547	64,825,098	7.457	55.469
$300,000 - $324,999	210	5.474	81.022	65,374,667	7.520	62.989
$325,000 - $349,999	142	3.702	84.724	47,922,028	5.513	68.502
$350,000 - $374,999	130	3.389	88.113	46,983,453	5.405	73.907
$375,000 - $399,999	82	2.138	90.250	31,621,646	3.638	77.544
$400,000 - $424,999	69	1.799	92.049	28,358,469	3.262	80.806
$425,000 - $449,999	67	1.747	93.796	29,249,541	3.365	84.171
$450,000 - $474,999	52	1.356	95.151	23,985,794	2.759	86.930
$475,000 - $499,999	39	1.017	96.168	19,016,914	2.188	89.118
$500,000 and greater	147	3.832	100.000	94,595,210	10.882	100.000
Total	3,836	100.000%		$869,290,377	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Tax Levies and Delinquencies

For the District's share of the 1% general fund apportionment, the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of such secured property taxes due to local agencies in the fiscal year such taxes are due. Pursuant to these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies for the 1% general fund apportionment if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance at the County's option or if demanded by the participating taxing agencies.

Because the County does <u>not</u> participate in the Teeter Plan with respect to tax levies for general obligation bonds debt service, secured property taxes actually collected for such purpose are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when such secured property taxes are actually collected. As a consequence, the District's receipt of taxes levied for its general obligation bonds, including the Bonds, is subject to delinquencies.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 5-000) within the District for fiscal years 2015-16 through 2019-20.

FORTUNA ELEMENTARY SCHOOL DISTRICT
Typical Total Tax Rates of Assessed Valuation
(TRA 5-000-2019-20 Assessed Valuation: \$318,636,451[(1)])
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General Tax Rate	1.000%	1.000%	1.000%	1.000%	1.000%
Redwoods Joint Community College District	.010	.010	.008	.008	.008
Fortuna Elementary School District	.029	.029	.039	.072	.064
Fortuna Union High School District	.020	.020	.017	.016	.017
Total	1.059%	1.059%	1.064%	1.096%	1.089%

(1) 24.11% of the total District's assessed valuation.
Source: California Municipal Statistics, Inc.

Top 20 Property Owners

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

FORTUNA ELEMENTARY SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2019-20

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total [1]
1.	Bear River Band of Rohnerville Rancheria	Commercial and Residential	$ 12,699,837	1.01%
2.	White Circle Commerce LLC	Commercial	8,403,824	0.67
3.	Eretz Fortuna Properties LP	Commercial	8,091,497	0.64
4.	Bank of America NA & Donna M. Minardi	Commercial	7,591,189	0.60
5.	Sarti Enterprises Delaware LLC	Commercial	7,222,826	0.57
6.	EP Property Fortuna LLC	Assisted Living Facility	6,257,815	0.50
7.	ARCP TS Fortuna CA LLC	Commercial	5,494,692	0.44
8.	Airport Road Storage LLC	Commercial	4,747,186	0.38
9.	Carlos & Antonia Luna, Trust	Commercial	4,556,494	0.36
10.	Dennis P. & Tami B. Fitze	Commercial	4,348,683	0.35
11.	Realty Income Corporation	Commercial	4,333,498	0.34
12.	Fortuna Loop Inc.	Residential Properties	4,320,388	0.34
13.	Travis L. Schneider & Stephanie M. Bode, Trust	Residential Properties	4,263,801	0.34
14.	Wendt Construction Co. Inc.	Commercial	3,839,666	0.30
15.	Patrick S. O'Dell, Trust	Commercial	3,693,649	0.29
16.	Shree Ganesh Hospitality LLC	Hotel/Motel	3,633,500	0.29
17.	Royal Crest Investors	Mobile Home Park	3,334,111	0.26
18.	Walgreen Co.	Commercial	3,246,742	0.26
19.	California Resources Production Corp.	Oil & Gas Production	3,184,996	0.25
20.	Fortuna Strongs Creek Partners LLC	Commercial	2,827,572	0.22
			$106,091,966	8.43%

(1) 2019-20 local secured assessed valuation: $1,259,013,217.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of December 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.

FORTUNA ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of December 1, 2019)

2019-20 Assessed Valuation: $1,321,567,388

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/19
Redwoods Joint Community College District	6.729%	$ 1,715,559
Fortuna Elementary School District	**100.000**	**12,980,783**(1)
Fortuna Union High School District	58.925	5,980,888
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$20,677,230
OVERLAPPING GENERAL FUND DEBT:		
Humboldt County General Fund Obligations	9.368%	$ 852,956
Humboldt County Board of Education Certificates of Participation	9.368	272,609
TOTAL OVERLAPPING GENERAL FUND DEBT		$1,125,565
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	100.000%	$8,220,000
COMBINED TOTAL DEBT		$30,022,795

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($12,980,783)..0.98%
Total Direct and Overlapping Tax and Assessment Debt.............1.56%
Combined Total Debt..2.27%

Ratios to Redevelopment Successor Agency Incremental Valuation ($232,976,034):
Total Overlapping Tax Increment Debt........................3.53%

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

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

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

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., as financial advisor to the District, and Kutak Rock LLP, as counsel to the Underwriter, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2020, with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The filing of this Official Statement with the Municipal Securities Rulemaking Board will serve as the first Annual Report. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

In the previous five-year period the District failed to timely file certain operating information that was required to be filed under its existing undertakings for fiscal year 2013-14, but such filings have since been made. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATING

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

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the initial principal amount of the Bonds of $________, plus original issue premium of $________ less an Underwriter's discount of $________.

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

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

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.

FORTUNA ELEMENTARY SCHOOL DISTRICT

By: ______________________________________
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The District is comprised of the former Fortuna Union Elementary School District (the "**Former Fortuna District**") and the former Rohnerville School District (the "**Former Rohnerville District**").

At an election held on November 8, 2011 within the Former Fortuna District and in the Former Rohnerville District (together, the "**Former Districts**"), the voters approved the consolidation and merger of the Former Districts, effective July 1, 2012, into the Fortuna Elementary School District. Pursuant to Education Code section 35573, as a result of the merger, bonded indebtedness of the Former Districts will be payable from *ad valorem* taxes within the area represented by the District.

The District, located in the southern portion of Humboldt County (the "**County**"), encompasses about 29.5 square miles and provides educational services to residents in and around the City of Fortuna. The District currently operates two elementary schools and two middle schools. Enrollment in the District for the 2019-20 school year is approximately 1,123 students, not including charter school enrollment.

Additionally, there is one independent charter school, Redwood Preparatory, operating within the boundaries of the District, with enrollment of approximately 220 students.

See also APPENDIX C hereto for demographic and other statistical information regarding the County.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the "**Charter School Law**"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and the petition for a charter school's creation approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

Administration

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

Name	Office	Term Expires
Kyle Conley	President	December 2020
Tina Taylor	Clerk	December 2020
Rich Barsanti	Member	December 2022
Stefanie McGrath	Member	December 2022
Marilyn Strehl	Member	December 2020

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Jeff Northern is currently the Superintendent of the District and Jennifer Goodner is Budget Manager.

Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District, which does not include charter school enrollment.

ANNUAL ENROLLMENT
Fiscal Years 2014-15 through 2019-20
Fortuna Elementary School District

Fiscal Year	Student Enrollment	% Change
2014-15	1,180	--%
2015-16	1,156	(2.0)
2016-17	1,156	0.0
2017-18	1,127	(2.5)
2018-19	1,134	0.6
2019-20(1)	1,123	(1.0)

(1) Budgeted.
Source: California Department of Education for 2014-15 through 2018-19; Fortuna Elementary School District for 2019-20.

Employee Relations

The District has 74.4 certificated full-time equivalent ("**FTE**") employees, 59.6 classified FTE employees, and 11.0 management/supervisor/confidential FTE employees.

The certificated and classified employees of the District are represented by two bargaining units, as set forth in the following table.

BARGAINING UNITS
Fortuna Elementary School District

Employee Group	Representation	Contract Expiration Date
Certificated	Fortuna Elementary Teachers' Association	June 30, 2021
Classified	California School Employees Association	June 30, 2021

Source: The District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California 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 which exceeded its revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a 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 will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

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

Grade Span	2019-20 Base Grant Per ADA	2018-19 COLA (3.70%)	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	9,034	295	243	9,572

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

The new legislation 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 2013-14 State Budget 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 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 funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2019 Audited Financial Statements were prepared by David L. Moonie & Co., LLP, Eureka, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Budget Manager of the District. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2014-15 through 2018-19.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2014-15 through 2018-19 (Audited)
Fortuna Elementary School District [(1)]

	Audited 2014-15	**Audited 2015-16**	**Audited 2016-17**	**Audited 2017-18**	**Audited 2018-19**
Revenues					
LCFF					$10,915,351
State Apportionments	$6,375,361	$7,463,433	$7,889,988	$8,020,254	--
Local Sources	1,994,293	2,063,275	2,130,648	2,265,251	--
Federal revenues	1,779,583	1,654,521	1,188,908	870,997	767,172
Other state revenues	886,510	1,644,417	1,576,698	1,380,556	1,687,685
Other local revenues	1,047,282	1,078,613	966,992	1,073,753	1,277,193
Total Revenues	12,083,029	13,904,259	13,753,234	13,610,811	14,647,401
Expenditures					
Instruction	8,476,258	8,945,680	9,861,557	9,416,746	10,538,637
Instruction-related services	1,068,557	986,128	1,075,247	1,088,458	1,207,339
Pupil services	719,124	703,748	736,819	690,539	814,929
Ancillary services	30,066	46,520	52,334	45,820	56,604
General Administration	802,414	838,998	880,395	858,021	913,289
Plant services	798,261	821,234	941,474	1,079,102	1,067,254
Debt service: principal	38,050	--	26,177	3,278	--
Debt service: interest	--	--	--	--	--
Total Expenditures	11,932,730	12,342,308	13,574,003	13,181,964	14,598,052
Excess of Revenues Over/(Under) Expend.	150,299	1,561,951	179,231	428,847	49,349
Other Financing Sources (Uses)					
Proceeds from debt	71,563	--	--	--	--
Operating transfers in	--	--	--	793	158,701
Operating transfers out	(206,780)	(288,030)	(273,329)	(410,254)	(353,988)
Total Other Fin. Source (Uses)	(135,217)	(288,030)	(273,329)	(409,461)	(195,287)
Net change in fund balance	15,082	1,273,921	(94,098)	19,386	(145,938)
Fund Balance, July 1	3,487,432	3,502,514	4,776,435	4,682,337	4,701,723
Fund Balance, June 30	$3,502,514	$4,776,435	$4,682,337	$4,701,723	$4,555,785

(1) Figures may not sum to totals due to rounding.
Source: Fortuna Elementary School District Audit Reports.

District Budget and Interim Financial Reporting

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

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

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

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

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

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

District's Budget and Interim Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2019-20 (adopted budget and first interim projections).

FORTUNA ELEMENTARY SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2019-20 (Adopted Budget and First Interim Projections)

Revenues	**Adopted Budget 2019-20**	**First Interim 2019-20**
Total LCFF Sources	$11,245,579	$11,163,351
Federal Revenues	781,004	956,879
Other state revenues	1,066,893	1,272,119
Other local revenues	727,629	1,044,357
Total Revenues	13,821,105	14,435,706
Expenditures		
Certificated Salaries	5,384,660	5,420,721
Classified Salaries	2,006,345	2,075,287
Employee Benefits	3,694,535	3,862,349
Books and Supplies	398,651	699,965
Services and Other Operating Expenditures	1,162,506	1,292,216
Capital Outlay	--	65,575
Other Outgo (excluding transfers of indirect costs)	920,596	995,827
Other Outgo	--	--
Total Expenditures	13,567,293	14,411,940
Excess of Revenues Over/(Under) Expenditures	253,812	23,766
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(317,349)	(266,998)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(317,349)	(266,998)
Net change in fund balance	(63,537)	(243,232)
Fund Balance, July 1	2,143,258	2,143,258
Fund Balance, June 30 (1)	$2,079,721	$1,900,026

(1) Fund balances do not reflect all funds included in the District's general fund revenues shown above.
Source: Fortuna Elementary School District Adopted Budget and First Interim Report for 2019-20.

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 has a board-adopted policy of maintaining an unrestricted reserve of 10% of expenditures.

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 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.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap.

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2013-14 through 2019-20 (budgeted).

FORTUNA ELEMENTARY SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2013-14 through 2019-20 (Budgeted)

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	1,105	$6,725
2014-15	1,111	7,531
2015-16	1,094	8,707
2016-17	1,088	9,212
2017-18	1,063	9,679
2018-19	1,081	10,097
2019-20 (1)	1,076	10,375

(1) First Interim Projection.
Source: California Department of Education; Fortuna Elementary School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 75% for purposes of calculating 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 is entitled to.

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

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

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

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

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

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

District Retirement Systems

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

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
Fortuna Elementary School District
Fiscal Years 2013-14 through 2019-20 (Projected)

Fiscal Year	Amount
2013-14	$387,698
2014-15	383,080
2015-16	441,443
2016-17	537,216
2017-18	637,508
2018-19	724,303
2019-20 (1)	1,369,689

(1) First Interim Projection.
Source: Fortuna Elementary 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 address the unfunded liabilities of the STRS pension plan. 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 through 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	17.10%
2020-21	18.40
2021-22	18.60
2022-23	18.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

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
Fortuna Elementary School District
Fiscal Years 2013-14 through 2019-20 (Projected)

Fiscal Year	Amount
2013-14	$168,478
2014-15	168,445
2015-16	172,336
2016-17	197,740
2017-18	265,890
2018-19	286,440
2019-20 (1)	352,890

(1) First Interim Projection.
Source: Fortuna Elementary 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 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, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

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

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

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

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: 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 8 to the District's audited financial statements attached to the Official Statement 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 Retirement Benefits

The District does not currently offer other post-employment retirement benefits.

Insurance – Joint Powers Agreement

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

The NCSMIG arranges for and provides medical, dental and vision insurance for its members: Humboldt County Office of Education and all Humboldt County School Districts. The NCSMIG is governed by a board of directors composed of representatives from member districts which have one hundred or more insured lives and one representative for those member districts with less than one hundred insured lives. The Board controls the operations of the NCSMIG including selection of management and approval of operating budgets. NCSMIG is independent of influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the NCSMIG.

Existing Debt Obligations

General Obligation Bonds. The Former Districts have previously issued general obligation bonds pursuant to their authorizations as summarized in the following table. See also "DEBT SERVICE SCHEDULES" and in the District's Audited Financial Statement for year Ended June 30, 2019, attached hereto as Appendix B, Note 7.

GENERAL OBLIGATION BONDS
Fortuna Elementary School District

Dated Date	Series	Amount of Original Issue	Outstanding as of December 1, 2019
	Rohnerville School District 2010 Authorization		
09/28/2010	General Obligation Bonds, Election of 2010, Series A	$2,000,000.00	$65,000.00
03/08/2012	General Obligation Bonds, Election of 2010, Series B	1,853,787.90	1,830,781.35
12/13/2016	General Obligation Bonds, Election of 2010, Series C	1,145,000.00	1,020,000.00
	Fortuna Elementary School District		
08/20/2015	2015 General Obligation Refunding Bonds	4,840,000.00	4,675,000.00
12/13/2016	2016 General Obligation Refunding Bonds	1,770,000.00	1,710,000.00
09/20/2018	General Obligation Bonds, Election of 2018, Series A	4,000,000.00	3,680,000.00
Total		**$15,608,787.90**	**$12,980,781.35**

See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the remaining debt service due on the District's outstanding general obligation bonds.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). 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 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. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

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. None of the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

Recent State Budgets

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

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", 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.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- 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 heading "Subject Area – Budget (State)".

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, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 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 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 Local Plan Areas with at least the statewide target rate for base special education funding.

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

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

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

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

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

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

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 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. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) 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. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

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

California Senate Bill 222

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

Future Initiatives

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

APPENDIX B

FORTUNA ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018-19

FORTUNA ELEMENTARY SCHOOL DISTRICT

County of Humboldt
Fortuna, California

FINANCIAL STATEMENTS

Year Ended June 30, 2019

With

INDEPENDENT AUDITOR'S REPORT

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

DLM

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

Kenneth X. Stringer, CPA
Aaron S. Weiss, CPA
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FORTUNA ELEMENTARY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Fortuna Elementary School District
500 9th Street
Fortuna, California 95540

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 Fortuna Elementary School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules of pension liabilities and contributions on pages 4a through 4g and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial schedules and other supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

David L. Moonie & Co LLP

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California
December 12, 2019

Introduction

The Management's Discussion and Analysis section of the audit is management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the Governing Board and the public. New accounting rules require this discussion and analysis.

The Fortuna Elementary School District

The District serves the residents of the City of Fortuna. At the time of this report, the District serves over 1100 students in 4 schools.

The Governing Board's Vision

OUR VISION

THE FORTUNA ELEMENTARY SCHOOL DISTRICT will provide an environment that creates an atmosphere of academic excellence.

Overview of the Financial Statements

The report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information.

The first two statements are district-wide financial statements that provide information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District operations in more detail than the district-wide statements.

The governmental funds statements tell how basic services, like regular and special education, were financed, as well as, what remains for future spending.

Fiduciary fund statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others who own the resources.

Financial Reports

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

- General Fund
- Building Fund

Statement of Net Position

Below we displayed the value of all assets, including buildings, land and equipment. Depreciation is included. Land is accounted for at purchase value, not market value, and is not depreciated. The valuation of school buildings is based on the historical costs. The table below summarizes the value of District assets.

Fortuna Elementary School District
Comparative Statement of Net Position
Governmental Activities

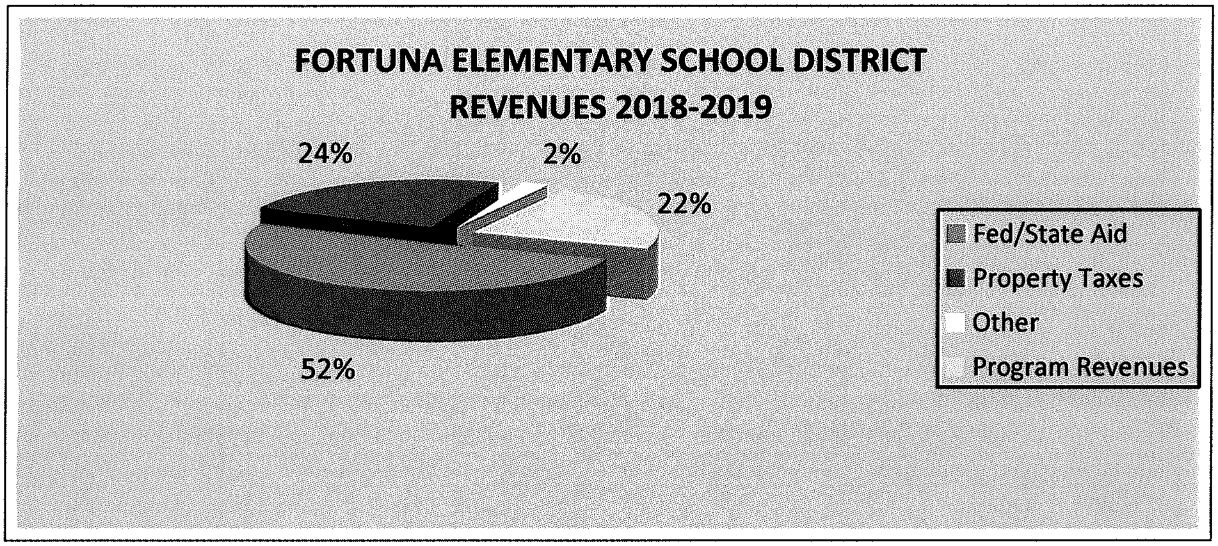
	June 30, 2018	June 30, 2019
Current & Other Assets	$6,051,009	$10,709,361
Capital Assets	$20,401,959	$19,798,855
Deferred Outflows of Resources	$4,961,787	$5,150,631
Total Assets and Deferred Outflows of Resources	**$31,414,755**	**$35,658,847**
Current Liabilities	$176,072	$511,989
Long-Term Debt	$23,514,896	$27,785,318
Deferred Inflows of Resources	$779,532	$1,109,204
Total Liabilities and Deferred Inflows of Resources	**$24,470,500**	**$29,406,511**
Net investment in capital assets	$9,377,886	$8,308,684
Restricted	$1,531,460	$6,000,742
Unrestricted	($3,965,091)	($8,057,090)
Total Net Position	**$6,944,255**	**$6,252,336**

Statement of Activities

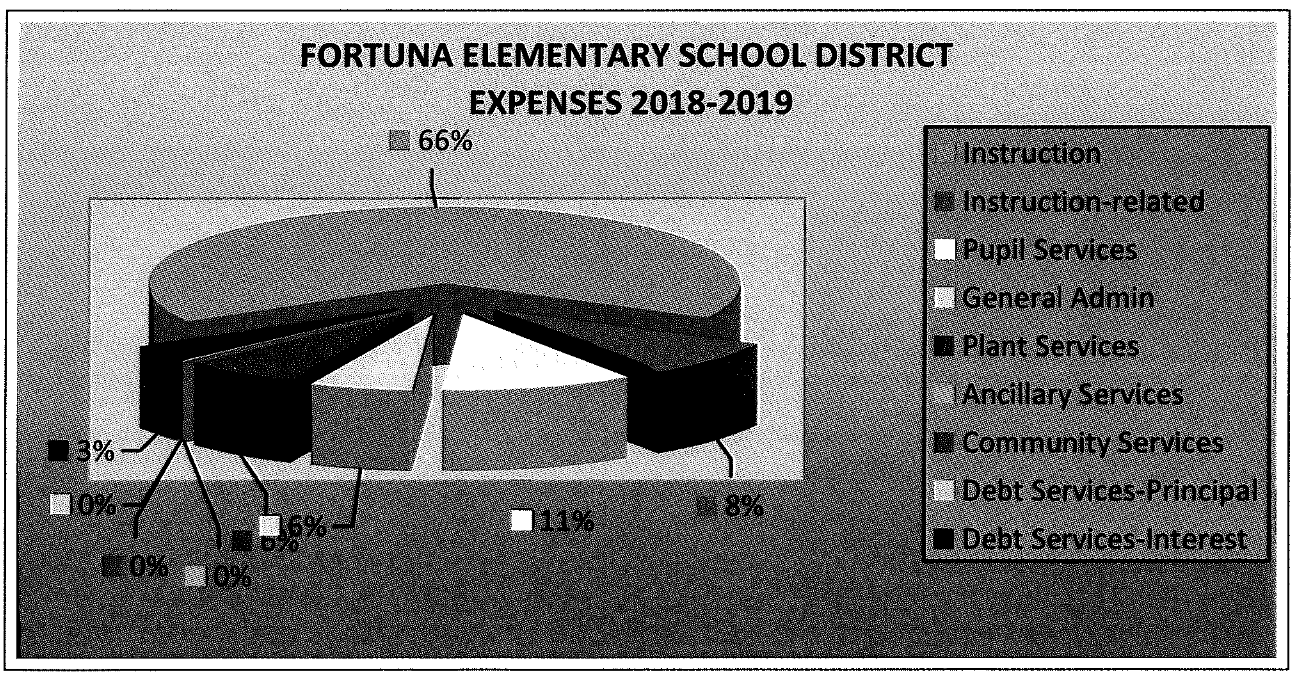
Total expenses exceeded revenues, which decreased net position by $691,919. The following table summarizes the change to net position for the 2018-2019 fiscal year.

Fortuna Elementary School District
Comparative Summary Statement
Of Activities

	2017/2018	2018/2019
Revenues:		
General Revenues:		
Fed/State Aid Formula	$8,012,374	$8,391,705
Property Taxes	$3,293,936	$3,944,253
Other	$328,240	$387,750
Program Revenues	$3,078,157	$3,685,856
Total Revenues	**$14,712,707**	**$16,409,564**
Expenses		
Instruction	$10,448,508	$11,259,210
Instructional-related	$1,296,245	$1,366,505
Pupil Services	$1,612,503	$1,812,826
General Administration	$932,567	$955,739
Plant Services	$962,164	$1,079,309
Ancillary Services	$61,095	$64,470
Community Services	$3,229	$3,229
Debt Service - Interest	$513,787	$560,195
Total Expenses	**$15,830,098**	**$17,101,483**
Increase in Net Position	**($1,117,391)**	**($691,919)**



The total cost of programs and services was $17,101,483. The District's expenses are predominately related to educating and caring for students (85%) as shown in the table below. The purely administrative activities of the District accounted for just 6% of total costs.



Financial Highlights

- Strong reserve levels were maintained in the 2018-2019 year. The Governing Board requires a minimum 10% Unrestricted Reserves. The current reserve levels are at 19.32%.
- Net position decreased $691,919.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times due to updated projections. The major changes included:

- Increases in Other State and Local revenues.
- Increased personnel costs.

The major differences between the final budgeted and actuals included:

- Budgeted revenue over expense was anticipated to be a negative $211,305, but actual revenue to expense was lower than anticipated at negative $145,938, mainly due to settlements with the bargaining units.

The District's General Fund budget and actual amounts for 2018-2019 were as follows:

GENERAL FUND
Budget vs. Actual

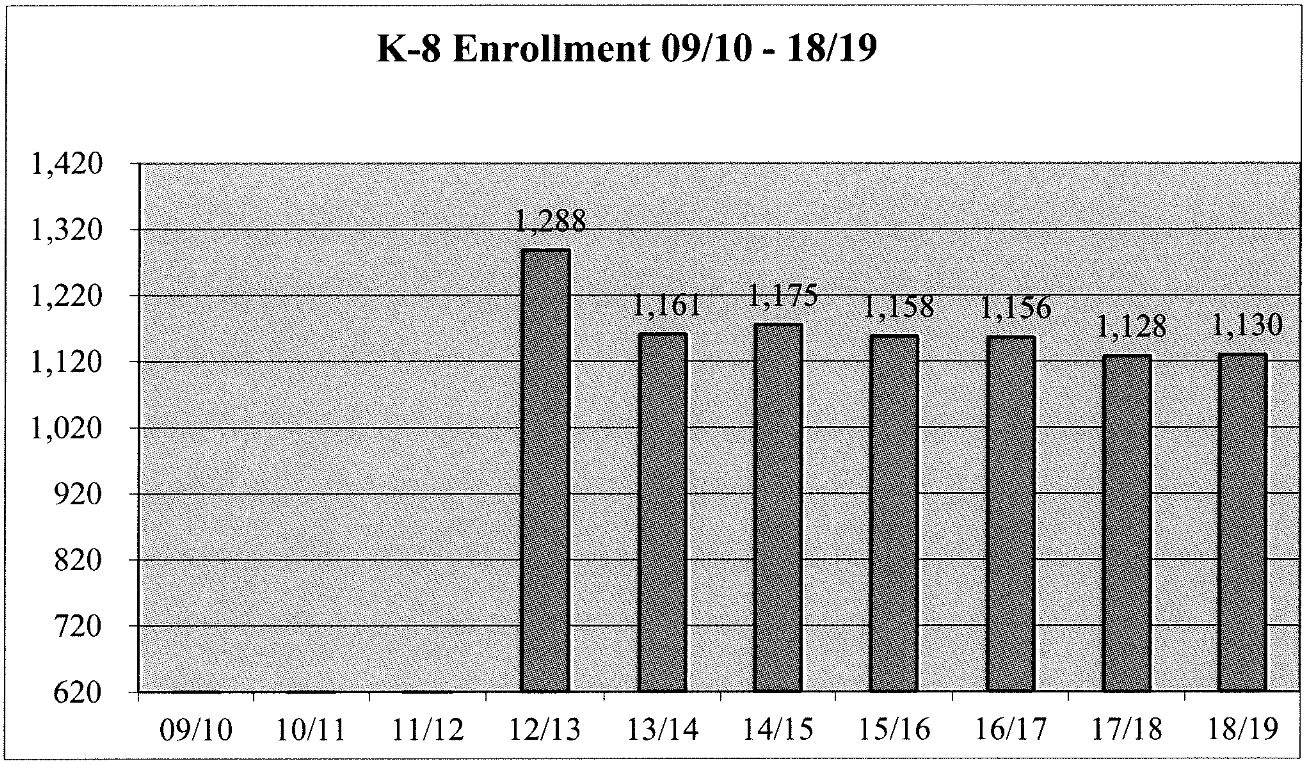
	Original Budget	Final Budget	Actuals	Over (Under) Budget
Total Revenues	$ 13,468,044	$ 14,205,713	$ 14,647,401	$ 441,688
Total Expenditures	13,144,814	14,291,969	14,598,052	(306,083)
Other Sources (Uses)	(279,250)	(125,049)	(195,287)	(70,238)
Revenues Over (Under) Expenditures and Other Sources (Uses)	$ 43,980	$ (211,305)	$ (145,938)	$ 65,367

Financial Condition of General Fund

The District will continue to maintain a solid financial condition. The General Fund ending balance decreased by $145,938. The District's reserves remain above the Governing Board's required levels of 10% at 19.32%. The excellent financial condition is a result of the Governing Board's requirements and policies, and good fiscal management by staff.

Enrollment

Due to the consolidation there isn't historical data on district enrollment prior to 2012/13. The chart below displays the changes in enrollment on October CALPADS Information Day from 2009/10 to 2018/19.



District Indebtedness

As of June 30, 2019 the District has incurred $27,785,318 of long-term debt as shown in the table below (more detailed information may be found in the Notes section to the financial statements).

Fortuna Elementary School District

	2017-2018	2018-2019
General Obligation Bonds	$11,024,073	$15,329,478
Compensated Absences	$64,990	$61,295
Other Long Term Debt	$0	$0
Net Pension Liability (Asset)	$12,425,833	$12,394,545
Total	**$23,514,896**	**$27,785,318**

District Capital Assets

The District's capital assets at June 30, 2018 and 2019 were as follows:

CAPITAL ASSETS

	2017-2018	2018-2019
Buildings	$ 30,793,810	$ 30,800,936
Improvements	896,349	896,349
Equipment	576,967	614,439
Work in Progress		262,141
Land	101,864	101,864
Total Capital Assets	32,368,990	32,675,729
Less: Accumulated Depreciation	(11,967,031)	(12,876,874)
Capital Assets, Net of Depreciation	$ 20,401,959	$ 19,798,855

Factors Bearing on the District's Financial Management

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

- Considerable uncertainties in future state revenues, the impact of increasing STRS and PERS Employer Contribution Rates, and minimum wage increases.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Superintendent, Jeffry Northern, c/o Fortuna Elementary School District, Fortuna, California, 500 9th Street Fortuna, CA 95540.

FORTUNA ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2019

		Governmental Activities
ASSETS		
Cash	$	9,878,444
Accounts receivable		821,947
Stores		8,970
Invested in capital assets, net of depreciation		19,798,855
Total assets		30,508,216
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to refunding bond		1,087,970
Deferred outflows related to pensions		4,062,661
Total deferred outflows of resources		5,150,631
Total assets and deferred outflows of resources	$	35,658,847
LIABILITIES		
Accounts payable	$	364,458
Unearned revenue		147,531
Long-term liabilities:		
Due within one year		621,852
Due in more than one year		27,163,466
Total liabilities		28,297,307
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,109,204
Total deferred inflows of resources		1,109,204
NET POSITION		
Net investment in capital assets		8,308,684
Restricted for:		
Debt service		1,024,035
Capital projects		4,189,861
Educational programs		710,852
Other purposes		75,994
Unrestricted		(8,057,090)
Total net position	$	6,252,336

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 11,259,210	$ 43,397	$ 2,320,017		$ (8,895,796)
Instruction-related services:					
Supervision of instruction	163,210	12,826	61,156		(89,228)
Instructional library, media and technology	208,917		10,958		(197,959)
School site administration	994,378		67,832		(926,546)
Pupil services:					
Home-to-school transportation	108,417				(108,417)
Food services	967,263	33,342	620,702		(313,219)
All other pupil services	737,146	12,147	176,159		(548,840)
General administration:					
Data processing	42,134				(42,134)
All other general administration	913,605	280	89,764		(823,561)
Plant services	1,079,309	21,570	213,872		(843,867)
Ancillary services	64,470		1,834		(62,636)
Community services	3,229				(3,229)
Interest on long-term debt	560,195				(560,195)
Total governmental activities	$ 17,101,483	$ 123,562	$ 3,562,294	$ -	$ (13,415,627)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					$ 2,969,433
Taxes levied for debt service					870,174
Taxes levied for other specific purposes					104,646
Federal and state aid not restricted to specific purposes					8,391,705
Interest and investment earnings					112,167
Interagency revenues					52,017
Miscellaneous					223,566
Total general revenues before extraordinary item					12,723,708
Change in net position					(691,919)
Net position, beginning					6,944,255
Net position, ending					$ 6,252,336

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash in County Treasury	$ 4,428,513	$ 3,837,277	$ 1,611,654	$ 9,877,444
Cash in revolving fund	1,000			1,000
Accounts receivable	702,508	17,703	101,736	821,947
Due from other fund			104,646	104,646
Stores inventory			8,970	8,970
Total assets	5,132,021	3,854,980	1,827,006	10,814,007
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 5,132,021	$ 3,854,980	$ 1,827,006	$ 10,814,007
LIABILITIES				
Accounts payable	$ 339,416	$ 15,673	$ 9,369	$ 364,458
Due to other fund	104,646			104,646
Unearned revenue	132,174		15,357	147,531
Total liabilities	576,236	15,673	24,726	616,635
DEFERRED INFLOWS OF RESOURCES				
Description of deferred inflows				
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Nonspendable	1,000		8,970	9,970
Restricted	710,852	3,839,307	1,450,583	6,000,742
Assigned	954,853		342,727	1,297,580
Unassigned	2,889,080			2,889,080
Total fund balances	4,555,785	3,839,307	1,802,280	10,197,372
Total liabilities, deferred inflows of resources and fund balances	$ 5,132,021	$ 3,854,980	$ 1,827,006	$ 10,814,007

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

June 30, 2019

Total Fund Balances - governmental funds balance sheet:		$ 10,197,372

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

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

Capital assets at historical cost	$ 32,675,729	
Accumulated depreciation	(12,876,874)	
Net		19,798,855

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:

General obligation bonds payable	$ (15,329,478)	
Net pension liability	(12,394,545)	
Compensated absences payable	(61,295)	
Total		(27,785,318)

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

Deferred outflows of resources related to refunding bonds	$ 1,087,970	
Deferred outflows of resources related to pensions	4,062,661	
Deferred inflows of resources related to pensions	(1,109,204)	
Total		4,041,427
Total Net Position, Governmental Activities		$ 6,252,336

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

For The Year Ended June 30, 2019

	General	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local control funding formula sources	$ 10,915,351			$ 10,915,351
Federal	767,172		$ 498,814	1,265,986
Other state	1,687,685		121,484	1,809,169
Other local	1,277,193	$ 53,448	980,723	2,311,364
Total revenues	14,647,401	53,448	1,601,021	16,301,870
Expenditures:				
Instruction	10,538,637			10,538,637
Instruction-related services	1,207,339			1,207,339
Pupil services	814,929		906,502	1,721,431
Ancillary services	56,604			56,604
General administration	913,289			913,289
Plant services	1,067,254	262,141	11,031	1,340,426
Debt service - principal			167,117	167,117
Debt service - interest			381,008	381,008
Total expenditures	14,598,052	262,141	1,465,658	16,325,851
Excess (deficiency) of revenues over (under) expenditures	49,349	(208,693)	135,363	(23,981)
Other financing sources (uses):				
Proceeds from debt		4,048,000	298,417	4,346,417
Operating transfers in	158,701		353,988	512,689
Operating transfers out	(353,988)		(158,702)	(512,690)
Total other financing sources (uses)	(195,287)	4,048,000	493,703	4,346,416
Net change in fund balance	(145,938)	3,839,307	629,066	4,322,435
Fund balances, July 1, 2018	4,701,723		1,173,214	5,874,937
Fund balances, June 30, 2019	$ 4,555,785	$ 3,839,307	$ 1,802,280	$ 10,197,372

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

For The Year Ended June 30, 2019

Total changes in Fund Balances, governmental funds:		$ 4,322,435
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	$ 306,739	
Depreciation expense	(909,843)	
Net		(603,104)
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:		
General obligation bonds		167,117
Refunding escrow payments: In governmental funds, payments to escrow accounts as part of refunding of existing bonded debt are reported as other uses. In the government-wide statements, payments to escrow accounts as part of refunding of existing bonded debt are reported as deferred outflows of resources and amortized over the shorter of the life of the new bonded debt or the prior refunded bonded debt. The differences between escrow agent payments and amortized deferred outflows for refunded bonds for the period is:		
Amortization of deferred outflow of resources for bond refunding		(53,082)
Accreted interest: In governmental funds, accreted interest expenditures are reported when the liability is paid. In the government-wide statements, accreted interest is amortized annually over the life of the bond, and reported as an increase in interest expense and bond payable. The current year accreted interest was:		(179,753)
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		
Proceeds from 2018 Series A bond		(4,346,417)
Premiums on bond issuance: In governmental funds, premiums on bond issuance are recognized as other sources of revenue in the period they are received. In the government-wide statements, premiums on bond issuance are amortized over the life of the debt. The difference between premiums on bond issuance recognized in the current period and premiums on bond issuance amortized for the period is:		
Bond premiums amortized for the period		53,648
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(56,458)
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 amounts earned. The difference between compensated absences paid and compensated absences earned was:		3,695
Changes In Net Position, Governmental Activities		$ (691,919)

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2019

	Agency Funds							
	Student Council Fund	Ambrosini Student Body Fund	Ambrosini Principal's Account	Middle School 8th Grade Fund	South School Scrip Fund	Toddy Thomas Student Fund	Toddy Thomas 8th Grade Fund	Total Fiduciary Funds
ASSETS								
Cash on hand and in banks	$ 5,481	$ 11,025	$ 8,037	$ 1,438	$ 6,245	$ 13,043	$ 1,704	$ 46,973
Total assets	$ 5,481	$ 11,025	$ 8,037	$ 1,438	$ 6,245	$ 13,043	$ 1,704	$ 46,973
DEFERRED OUTFLOWS OF RESOURCES								
Total deferred outflows of resources	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 5,481	$ 11,025	$ 8,037	$ 1,438	$ 6,245	$ 13,043	$ 1,704	$ 46,973
LIABILITIES								
Due to student groups	$ 5,481	$ 11,025	$ 8,037	$ 1,438	$ 6,245	$ 13,043	$ 1,704	$ 46,973
Total liabilities	$ 5,481	$ 11,025	$ 8,037	$ 1,438	$ 6,245	$ 13,043	$ 1,704	$ 46,973
DEFERRED INFLOWS OF RESOURCES								
Total deferred inflows of resources	-	-	-	-	-	-	-	-
NET POSITION								
Reserved								
Total net position	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

1. Summary of Significant Accounting Policies

A. Accounting Policies

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

B. Reporting Entity

The District was established by the voter-approved consolidation of the Fortuna Union Elementary School District and the Rohnerville School District, effective July 1, 2012.

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

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

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

Expenses/Expenditures:

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

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

E. Fund Accounting

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

Major Governmental Funds:

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

The Building Fund is used to account for the acquisition and construction of major governmental general fixed assets.

Non-major Governmental Funds:

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

Capital Projects Funds are used to account for the acquisition and construction of all major governmental general fixed assets. The District maintains three non-major capital projects funds: the Capital Outlay Fund, the Capital Facilities Fund, and the Fortuna Elementary School Facilities Fund.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District maintains one Non-major Debt Service Fund: the Bond Interest and Redemption Fund.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District is the agent for seven fiduciary funds: The Middle School 8th Grade Fund, Ambrosini Student Body Fund, Ambrosini Principal's Fund, Student Council Fund, South School Scrip Fund, Toddy Thomas 8th Grade Fund, and the Toddy Thomas Student Body Fund. These funds are used to account for the activities of student groups.

F. Budgets and Budgetary Accounting

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

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

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

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

1. Deposits and Investments

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

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

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

The Humboldt County Treasury has no investments in derivatives.

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

2. Stores Inventories and Prepaid Expenditures

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

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

3. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

4. Unearned Revenue

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

5. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until that future period. The items that qualified for reporting in this category are all related to the District's net pension liability and are listed in detail in subsection B of Note 9, "Pension Plans" in these financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period. The items that qualified for reporting in this category are all related to the District's net pension liability and are listed in detail in subsection B of Note 9, "Pension Plans" in these financial statements.

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

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

6. Compensated Absences

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

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

7. Interfund Activity

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

8. Pensions

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

9. Noncurrent Obligations

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

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

10. Fund Balance

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

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

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

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

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

Unassigned — all other spendable amounts.

As of June 30, 2019, fund balances were composed of the following:

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Revolving cash	$ 1,000			$ 1,000
Inventories			$ 8,970	8,970
Total Nonspendable	1,000	-	8,970	9,970
Restricted:				
Medi-Cal Billing Option	151,190			151,190
Lottery Instructional Materials	246,606			246,606
CA Clean Energy Jobs Act	65,576			65,576
Classified School Employee Professional Development Block Grant	6,557			6,557
Ongoing major maintenance	139,978			139,978
Other restricted State	16,594			16,594
Other Local	84,351			84,351
Capital Projects		$ 3,839,307	350,554	4,189,861
Cafeteria program			75,994	75,994
Debt service			1,024,035	1,024,035
Total Restricted	710,852	3,839,307	1,450,583	6,000,742
Assigned:				
Deferred maintenance	270,266			270,266
Instructional materials	248,804			248,804
After school programs	162,201			162,201
GATE flexibility	2,881			2,881
STEAM	21,567			21,567
Lottery	223,670			223,670
Music	13,938			13,938
Capital outlay			342,727	342,727
Athletics	11,526			11,526
Total Assigned	954,853	-	342,727	1,297,580
Unassigned:				
Designated for economic uncertainies	2,889,080			2,889,080
Tota Unassigned	2,889,080	-	-	2,889,080
Total Fund Balance	$ 4,555,785	$ 3,839,307	$ 1,802,280	$ 10,197,372

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

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 ten percent of General Fund expenditures and other financing uses.

11. Net Position

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

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

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

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

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

12. Local Control Funding Formula/Property Taxes

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

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

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

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

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

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

H. Use of Estimates

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

I. New Governmental Accounting Standards Board (GASB) Standards

GASB Statement no. 84 - In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to establish criteria for identifying fiduciary activities and to provide guidance on reporting those activities. The Statement is effective for periods beginning after December 15, 2019. The District has not determined this Statement's impact on the financial statements.

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 this Statement's impact on the financial statements.

2. Cash and Investments

Cash and investments at June 30, 2019 consisted of the following:

Statement of net position and Governmental Funds balance sheet:	
Cash in Revolving Fund	$ 1,000
Pooled Cash in County Treasury	9,877,444
Sub-total	$ 9,878,444
Fiduciary Funds:	
Cash in bank	46,973
Total Cash and Investments	$ 9,925,417

Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. Cash in banks at June 30, 2019 consisted of the following:

	Reported Amount	Bank Balance
Cash in Revolving Fund	$ 1,000	$ 1,200
Fiduciary Funds Cash in bank	46,973	62,818
Total	$ 47,973	$ 64,018

The bank balance is the balance prior to adjustment for items that had not yet cleared the bank as of June 30, 2019.

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

Fair Value Measurements

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

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

Level 2 - inputs include:

a) Quoted prices for similar assets or liabilities in active markets;

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

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2019, the District held no individual investments. The District's fair value measurements were as follows at June 30, 2019:

Investment Type	Fair Value	Level
Pooled Cash in County Treasury	$ 9,885,306	2

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

Credit Risk - Investments

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

The County Treasurer's investments consist of 69.71 percent federal agencies, 22.64 percent money markets, 1.32 percent municipal bonds, 3.18 percent treasury coupons, 0.80 percent medium term notes, and 2.35 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit the District's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2019, none of the District's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the County of Humboldt Treasurer's investments is 526 days.

3. Receivables

Receivables at June 30, 2019 consist of the following:

	General	Building Fund	Other Governmental Funds	Total
Federal Government:				
Federal Programs	$ 324,396		$ 84,334	$ 408,730
State Government:				
Categorical Aid Programs	69,588		13,869	83,457
Lottery	33,304			33,304
Total State Government	207,538	-	13,869	221,407
Local Government:				
Other	144,060		326	144,386
Interest	26,514	$ 17,703	3,207	47,424
Total Local Government	170,574	17,703	3,533	191,810
Total Receivables	$ 702,508	$ 17,703	$ 101,736	$ 821,947

4. Interfund Transactions

Interfund Receivables/Payables

Interfund receivables/payables as of June 30, 2019 were as follows:

Fund	Interfund Receivables	Interfund Payables
Capital Outlay Fund	$ 104,646	
General Fund		$ 104,646
	$ 104,646	$ 104,646

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2018-2019 were as follows:

Funds	Transfers In	Transfers Out
General fund	$ 158,701	$ 353,988
All other funds:		
Cafeteria Fund	249,342	
Capital Facilities Fund		158,701
Capital Outlay Fund	104,646	
Total	$ 512,689	$ 512,689

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

Transfer from the Capital Facilities Fund to the General Fund was to close the Capital Facilities Fund.

Transfer from the General Fund to the Capital Outlay Fund was for current capital projects.

5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 101,864			$ 101,864
Work in progress		$ 262,141		262,141
Total capital assets not being depreciated	101,864	262,141	-	364,005
Capital assets being depreciated:				
Buildings	30,793,810	$ 7,126		30,800,936
Improvements	896,349			896,349
Equipment	576,967	37,472		614,439
Total capital assets being depreciated	32,267,126	44,598	-	32,311,724
Less: accumulated depreciation for:				
Buildings	10,697,783	880,441		11,578,224
Improvements	764,438	18,306		782,744
Equipment	504,810	11,096		515,906
Total accumulated depreciation	11,967,031	909,843	-	12,876,874
Total capital assets being depreciated, net	20,300,095	(865,245)	-	19,434,850
Capital assets, net	$ 20,401,959	$ (603,104)	$ -	$ 19,798,855

Depreciation was charged to function as follows:

Instruction	$	599,783
Instructional Supervision and Administ		96,796
Instructional Library, Media and Tech		22,131
School Site Administration		28,105
Home-to-school Transportation		777
Food Services		63,774
All Other Pupil Services		20,045
Ancillary Services		7,534
Community Services		3,229
All other General Administration		39,024
Plant Services		28,645
	$	909,843

6. Joint Ventures

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

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

North Coast Schools' Medical Insurance Group (NCSMIG) - The NCSMIG arranges for and provides medical, dental and vision insurance for its members: Humboldt County Office of Education and all Humboldt County School Districts. The NCSMIG is governed by a board of directors composed of representatives from member districts which have one hundred or more insured lives and one representative for those member districts with less than one hundred insured lives. The Board controls the operations of the NCSMIG including selection of management and approval of operating budgets. NCSMIG is independent of influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the NCSMIG.

The following is a summary of financial information for NCSIG and NCSMIG at June 30, 2018 (the most recent information available):

	NCSIG	NCSMIG
Total assets	$ 5,440,714	$ 7,365,959
Total liabilities	1,449,967	5,651,980
Total net position	$ 3,990,747	$ 1,713,979
Total revenues	$ 7,073,599	$ 56,996,770
Total expenses	7,186,353	54,829,893
Change in net position	$ (112,754)	$ 2,166,877

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

7. General Obligation and Refunding Bonds Payable

The former Rohnerville School District issued Series A general obligation bonds in 2011 in the amount of $2,000,000. These bonds were partially defeased through an advanced refunding bond issued on November 8, 2016, resulting in $1,475,000 of the balance on the 2011 bonds being removed from the District's financial statements. The remaining balance that was not defeased and that remains on the District's financial statements was $250,000.

The 2016 refunding bonds were issued in the amount of $1,770,000. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $143,114. This balance is included in the government-wide Statement of Net Position as a deferred outflow of resources, and will be amortized over the shorter of the term of the old refunded debt or the new refunding bond. The refunding will reduce the District's payments over the term of the refunding bond by $64,037. The present value of the reduction in future debt service payments is $56,988, using a discount rate of 2.68 percent. The amount of defeased debt, held in trust by the bonding agent and not reportable on the District's financial statement, still outstanding at June 30, 2019 was $1,475,000.

The 2015 refunding bonds were issued in the amount of $4,840,000 in an advanced refunding of bonds issued in 2007. The 2007 bonds are considered defeased and are not reportable in the District's Statement of Net Position. The defeased 2007 bonds were fully paid in June 2017 from funds held in trust by the bonding agent.

The former Rohnerville School District issued Series B general obligation bonds in February 2012 in the amount of $1,853,288. The Series B bonds are capital appreciation bonds with annual debt service beginning at $10,000 in 2017/18 and increasing incrementally each year through 2047 to a final annual debt service of $1,150,000. Total debt service over the life of the bond will be $10,143,021.

In addition to the 2016 refunding bonds, the District also issued 2010 Series C bonds in November 2016 in the amount of $1,145,000. The proceeds of these bonds were used to pay the balance owed on the District's 2012 bond anticipation notes.

In June 2018 the voters of the District approved a general obligation bond in the amount of $4,000,000 to modernize and improve the classrooms and school facilities of the District. The District issued the first and final series, Series A, of these bonds in September 2018 in the amount of $4,000,000 with interest rates from 3.0 percent to 4.0 percent.

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

Description	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019
2010 Series A	2011	4.530%	2035	$ 2,000,000	$ 190,000		$ 60,000	$ 130,000
2010 Series B	2012	2.45%-6.07%	2047	1,853,788	1,848,457		7,117	1,841,340
2015 Refunding	2015	2.00%-4.00%	8/1/2041	4,840,000	4,770,000		45,000	4,725,000
2016 Refunding	11/8/2016	2.00%-3.25%	8/1/2026	1,770,000	1,755,000		25,000	1,730,000
2010 Series C	11/8/2016	7.000%	8/1/2026	1,145,000	1,145,000		30,000	1,115,000
2018 Series A	9/20/2018	3.00%-4.00%	8/1/2048	4,000,000		$ 4,000,000		4,000,000
Total Bond Face Value				$ 15,608,788	9,708,457	4,000,000	167,117	13,541,340
Bond Premiums					462,629	346,417	53,648	755,398
Accreted Interest					852,987	179,753		1,032,740
Total Bond Liability					$ 11,024,073	$ 4,526,170	$ 220,765	$ 15,329,478

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2019, are as follows:

Year Ended June 30	Principal	Interest	Total
2020	$ 560,557	$ 488,138	$ 1,048,695
2021	598,154	472,191	1,070,345
2022	303,380	458,041	761,421
2023	321,373	457,029	778,402
2024	360,897	447,521	808,418
2025-2029	1,738,848	2,128,103	3,866,951
2030-2034	2,174,582	1,968,321	4,142,903
2035-2039	2,760,494	2,235,343	4,995,837
2040-2044	2,616,012	2,948,849	5,564,861
2045-2049	2,107,043	3,978,428	6,085,471
Total	$ 13,541,340	$ 15,581,964	$ 29,123,304

8. Pension Plans

A. General Information about the Pension Plans

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalPERS	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	7.0%	6.5%
Required employer contribution rates	18.062%	18.062%

Contributions

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

For the year ended June 30, 2019, the CalPERS contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	286,440
Contributions - employee (paid by employer)		-
Total	$	286,440

State Teachers' Retirement System (STRS)

Plan Description

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

Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required employee contribution rates	10.25%	9.205%
Required employer contribution rates	16.28%	16.28%

Contributions

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

For the year ended June 30, 2019, the CalSTRS contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	724,303
Contributions - employee (paid by employer)		-
Total	$	724,303

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

PERS Plan	$	3,728,228
STRS Plan		8,666,317
Total	$	12,394,545

The District's net pension liability for each Plan is measured as its proportionate share of the net pension liability for the Plan as a whole. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to each pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2018 was as follows:

	CalPERS	CalSTRS
Proportion - June 30, 2017	0.015014%	0.009562%
Proportion - June 30, 2018	0.013983%	0.009429%
Change - Increase (Decrease)	-0.001031%	-0.000133%

For the year ended June 30, 2019, the District recognized pension expense of $2,296,389. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date - CalPERS	$ 344,789	
Pension contributions subsequent to measurement date - CalSTRS	870,131	
Differences between actual and expected experience - CalPERS	244,409	
Differences between actual and expected experience - CalSTRS	26,874	$ 125,883
Changes in assumptions - CalPERS	372,247	
Changes in assumptions - CalSTRS	1,346,336	
Change in employer's proportion - CalSTRS	656,931	519,013
Change in employer's proportion - CalPERS	170,364	130,600
Net differences between projected and actual earnings on plan investments - CalPERS	30,580	
Net differences between projected and actual earnings on plan investments - CalSTRS		333,708
	$ 4,062,661	$ 1,109,204

$1,214,920 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Date Ended June 30	Increase (Decrease) Pension Expense
2020	$ 574,461
2021	377,989
2022	124,163
2023	304,160
2024	343,506
Thereafter	14,258
Total	$ 1,738,537

Actuarial Assumptions

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability for each Plan was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liabilities for each plan were based on the following actuarial assumptions:

Public Employees' Retirement System (PERS)

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by age and length of service
Investment Rate of Return	7.15% (a)
Asset valuation method	Market value
Mortality Rate Table	Custom (b)
Post Retirement Benefit Increase	2.0% until purchasing power protection allowance floor applies, 2.75% thereafter

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

(b) - The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

State Teachers' Retirement System (STRS)

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-age normal cost method
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	Varies by age and length of service
Investment Rate of Return	7.1% (a)
Asset valuation method	Fair value
Mortality	Custom (b)
Post Retirement Benefit Increase	2.0% simple

(a) - Net of investment expenses but gross of administrative expenses.

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

Discount Rate

State Teachers' Retirement System (STRS)

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the 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.

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 CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, the consulting actuary

(Milliman) reviews the return assumptions 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 are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term (20-Year) Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash / Liquidity	2%	-1.00%
Total	100%	

Public Employees' Retirement System (PERS)

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical 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+ 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.

The table below reflects the long-term expected real rate of return by asset class.

Asset Class	Assumed Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) - An expected inflation rate of 2.0% was used for this period.
(b) - An expected inflation rate of 2.92% was used for this period.

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

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

PERS

	Discount Rate less 1% (6.15%)	Current Discount (7.15%)	Discount Rate plus 1% (8.15%)
Plan's net pension liability	$ 5,428,122	$ 3,728,228	$ 2,317,923

STRS

	Discount Rate less 1% (6.1%)	Current Discount (7.1%)	Discount Rate plus 1% (8.1%)
Plan's net pension liability	$ 12,695,140	$ 8,666,317	$ 5,326,031

Pension Plan Fiduciary Net Position

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

C. Payable to the Pension Plan

At June 30, 2019, the District reported no amount payable for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

D. Special Funding Situation

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

State of California nonemployer contributing entity's proportionate share of net pension liability associated with the District	$	4,961,664
District's proportionate share of net pension liability		8,666,317
Total of State of California and District Share of the Net Pension Liability	$	13,627,981
Revenue recognized in Statement of Activities for support provided by the State of California as a nonemployer contributing entity	$	898,746

9. Noncurrent Obligations

Noncurrent obligations include debt and other noncurrent liabilities. Changes in long-term obligations for the period ended June 30, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds:					
Bond principal	$ 9,708,457	$ 4,000,000	$ 167,117	$ 13,541,340	$ 560,557
Bond premium	462,628	346,417	53,647	755,398	
Accreted interest on bond and bond anticipation note	852,987	179,753		1,032,740	
Total general obligation bonds	11,024,073	4,526,170	220,764	15,329,478	560,557
Net pension liability	12,425,833		31,288	12,394,545	
Compensated absences	64,990		3,695	61,295	61,295
Total governmental activities	$ 23,514,896	$ 4,526,170	$ 255,747	$ 27,785,318	$ 621,852

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

Liability	Activity Type	Fund
Bonds payable	Governmental	Bond Interest and Redemption
Net pension liability	Governmental	General
Compensated absences	Governmental	General
Retirement incentive program	Governmental	General

10. Leases - Operating Leases

The District has entered into various operating leases for office equipment and facilities. Total rental expenditures for 2018 - 2019 were $60,418. Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of June 30, 2019, as follows:

Ending June 30	Total
2020	$ 53,819
2021	53,819
2022	53,819
2023	229
Total Lease Payments	$ 161,686

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

11. Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in the General Fund and major special revenue funds as follows:

Appropriations Category	Excess Expenditure
General Fund	
Employee benefits	$ 470,738
Other outgo	9,735
Building Fund	
Services and other operating expenditures	177,188

12. Deferred Outflows Related to Refunding Bonds

Deferred outflows related to refunding bonds consist of the net differences between the reacquisition price and the net carrying amounts of old debt that was refunded through advance refundings. Deferred outflows are amortized over the shorter of the term of the new debt or the refunded debt. Deferred outflows related to refunding bonds at June 30, 2019 were as follows:

	Balance, 6/30/18	Additions	Decreases	Balance, 6/30/19
2015 Refunding Bond	$ 1,028,312		$ 46,946	$ 981,366
2016 Refunding Bond	112,740		6,136	106,604
	$ 1,141,052	$ -	$ 53,082	$ 1,087,970

13. Risk Management

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

14. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

REQUIRED SUPPLEMENTARY INFORMATION

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

For The Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
Local control funding formula sources	$ 10,574,505	$ 10,921,106	$ 10,915,351	$ (5,755)
Federal revenues	730,141	881,575	767,172	(114,403)
Other state revenues	1,352,944	1,364,240	1,687,685	323,445
Other local revenues	810,454	1,038,792	1,277,193	238,401
Total revenues	13,468,044	14,205,713	14,647,401	441,688
Expenditures:				
Certificated salaries	5,143,159	5,505,778	5,504,895	883
Classified salaries	1,898,347	1,953,810	1,952,555	1,255
Employee benefits	3,671,576	3,679,098	4,149,836	(470,738)
Books and supplies	350,141	608,069	536,473	71,596
Services and other operating expenditures	1,128,779	1,477,100	1,376,444	100,656
Capital outlay		31,215	31,215	
Other outgo	952,812	1,036,899	1,046,634	(9,735)
Total expenditures	13,144,814	14,291,969	14,598,052	(306,083)
Excess (deficiency) of revenues over (under)expenditures	323,230	(86,256)	49,349	135,605
Other financing sources (uses):				
Transfers in		159,293	158,701	(592)
Transfers out	(279,250)	(284,342)	(353,988)	(69,646)
Total other financing uses	(279,250)	(125,049)	(195,287)	(70,238)
Net change in fund balance	43,980	(211,305)	(145,938)	65,367
Fund balances, July 1, 2018	4,701,723	4,701,723	4,701,723	
Fund balances, June 30, 2019	$ 4,745,703	$ 4,490,418	$ 4,555,785	$ 65,367

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

For The Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP	Variance with Final Budget Positive -
	Original	Final	Basis)	(Negative)
Revenues:				
Other local revenues		$ 35,745	$ 53,448	$ 17,703
Total revenues		35,745	53,448	17,703
Expenditures:				
Services and other operating expenditures		903	178,091	(177,188)
Capital outlay		313,258	84,050	229,208
Total expenditures		314,161	262,141	52,020
Excess (deficiency) of revenues over (under)expenditures		(278,416)	(208,693)	69,723
Other financing sources (uses):				
Proceeds from debt		3,870,812	4,048,000	177,188
Total other financing sources (uses)		3,870,812	4,048,000	177,188
Net change in fund balance		3,592,396	3,839,307	246,911
Fund balances, July 1, 2018				
Fund balances, June 30, 2019	$ -	$ 3,592,396	$ 3,839,307	$ 246,911

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

For The Year Ended June 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.013983%	0.015010%	0.013913%	0.013224%	0.014024%
Proportionate share of the net pension liability	$ 3,728,228	$ 3,583,283	$ 2,747,800	$ 1,949,000	$ 1,603,000
Covered-employee payroll	$ 1,844,178	$ 1,915,086	$ 1,667,841	$ 1,460,825	$ 1,472,449
Proportionate share of the net pension liability as percentage of covered-employee payroll	202.2%	187.1%	164.8%	133.4%	108.9%
CalPERS State-wide fiduciary net position	$ 64,796,135,561	$ 60,998,386,333	$ 55,912,964,588	$ 56,911,065,643	$ 56,940,364,500
CalPERS State-wide total pension liability	$ 91,459,283,785	$ 84,871,025,628	$ 75,663,026,434	$ 71,651,164,353	$ 68,292,799,349
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%

NOTES TO SCHEDULE:

Benefit changes	None	None	None	None	None
Changes in assumptions	The inflation rate was changed from 2.75% to 2.5% and the payroll growth rate was changed from 3.0% to 2.75%.	The discount rate was lowered from 7.65% to 7.15%.	None	The discount rate was changed from 7.50% to 7.65%.	None

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

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

For The Year Ended June 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.00943%	0.00956%	0.01005%	0.01064%	0.01043%
District's proportionate share of the net pension liability	$ 8,666,317	$ 8,842,550	$ 8,125,400	$ 7,163,000	$ 6,092,000
State of California's nonemployer contributing entity's proportionate share of the net pension liability associated with the District	4,961,664	5,231,178	4,626,000	3,789,000	3,679,000
Total District and State of California share of net pension liability	$ 13,627,981	$ 14,073,728	$ 12,751,400	$ 10,952,000	$ 9,771,000
Covered-employee payroll	$ 5,064,556	$ 5,113,534	$ 5,020,210	$ 4,929,426	$ 4,683,581
Proportionate share of the net pension liability as percentage of covered-employee payroll	171.1%	172.9%	161.9%	145.3%	130.1%
CalSTRS State-wide fiduciary net position	$ 224,869,000,000	$ 210,290,000,000	$ 189,113,000,000	$ 191,882,000,000	$ 190,474,016,000
CalSTRS State-wide total pension liability	$ 316,776,000,000	$ 302,769,000,000	$ 269,994,000,000	$ 259,146,000,000	$ 248,911,000,000
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.04%	76.52%

NOTES TO SCHEDULE:

Benefit changes	None	None	None	None	None
Changes in assumptions	None	The inflation rate was lowered from 3.0% to 2.75%, the investment rate was lowered from 7.6% to 7.1%, and the payroll growth was lowered from 3.75% to 3.5%.	None	None	None

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

FORTUNA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
For The Year Ended June 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 286,440	$ 265,890	$ 197,740	$ 172,336	$ 168,445
Contribution in relation to the actuarially determined contribution	286,440	265,890	197,740	172,336	168,445
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 1,844,178	$ 1,915,086	$ 1,667,841	$ 1,460,825	$ 1,472,449
Contributions as a percentage of covered-employee payroll	15.53%	13.88%	11.86%	11.80%	11.44%

NOTES TO SCHEDULE:

Actuarial valuation date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial funding method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Discount Rate	7.15%
Inflation	2.50%
Payroll growth	2.75%
Projected Salary Increase	Varies by age and length of service
Investment rate of return	7.15%, net of pension plan investment expense
Asset valuation method	Market value
Mortality	Custom (a)
Post Retirement Benefit Increase	2.0% until purchasing power protection allowance floor applies, 2.75% thereafter

(a) - The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

FORTUNA ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS FOR THE LAST TEN YEARS *
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS)
For The Year Ended June 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	$ 724,303	$ 637,508	$ 537,216	$ 441,443	$ 383,080
Contribution in relation to the actuarially determined contribution	724,303	637,508	537,216	441,443	383,080
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 5,064,556	$ 5,113,534	$ 5,020,210	$ 4,929,426	$ 4,683,581
Contributions as a percentage of covered-employee payroll	14.30%	12.47%	10.70%	8.96%	8.18%

NOTES TO SCHEDULE:

Actuarial valuation date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.5%
Projected Salary Increase	Varies by age and length of service
Investment Rate of Return	7.1%, net of investment expenses but gross of administrative expenses.
Asset valuation method	Fair value
Mortality	Custom (a)
Post Retirement Benefit Increase	2.0% simple

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

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

SUPPLEMENTARY INFORMATION

FORTUNA ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2019

	Cafeteria Fund	Capital Facilities Fund	Fortuna Elementary School Facilities Fund	Capital Outlay Fund
ASSETS				
Cash in County Treasury	$ 1,638	$ 348,990		$ 236,991
Accounts receivable	99,082	1,564		1,090
Due from other fund				104,646
Stores inventory	8,970			
Total assets	109,690	350,554		342,727
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 109,690	$ 350,554	$ -	$ 342,727
LIABILITIES				
Accounts payable	$ 9,369			
Unearned revenue	15,357			
Total liabilities	24,726	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Nonspendable	8,970			
Restricted	75,994	$ 350,554		
Assigned				$ 342,727
Total fund balances	84,964	350,554	-	342,727
Total liabilities, deferred inflows of resources and fund balances	$ 109,690	$ 350,554	$ -	$ 342,727

FORTUNA ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET - CONTINUED
NONMAJOR FUNDS
June 30, 2019

	Bond Interest and Redemption Fund	Total Other Governmental Funds
ASSETS		
Cash in County Treasury	$ 1,024,035	$ 1,611,654
Accounts receivable		101,736
Due from other fund		104,646
Stores inventory		8,970
Total assets	1,024,035	1,827,006
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	-	-
Total assets and deferred outflows of resources	$ 1,024,035	$ 1,827,006
LIABILITIES		
Accounts payable		$ 9,369
Unearned revenue		15,357
Total liabilities	-	24,726
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	-	-
FUND BALANCES		
Nonspendable		8,970
Restricted	$ 1,024,035	1,450,583
Assigned		342,727
Total fund balances	1,024,035	1,802,280
Total liabilities, deferred inflows of resources and fund balances	$ 1,024,035	$ 1,827,006

FORTUNA ELEMENTARY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR FUNDS
For The Year Ended June 30, 2019

	Cafeteria Fund	Capital Facilities Fund	Fortuna Elementary School Facilities Fund	Capital Outlay Fund
Revenues:				
Federal revenue	$ 498,814			
Other state revenue	121,484			
Other local revenue	36,451	$ 62,993		$ 4,012
Total revenues	656,749	62,993	-	4,012
Expenditures:				
Classified salaries	354,035			
Employee benefits	219,220			
Books and supplies	309,484			
Services and other operating expenses	21,425	7,126		
Capital outlay	6,243			
Debt Service - principal				
Debt Service - interest				
Total expenditures	910,407	7,126	-	-
Excess (deficiency) of revenues over (under) expenditures	(253,658)	55,867	-	4,012
Other financing sources (uses):				
Proceeds from debt				
Operating transfers in	249,342			104,646
Operating transfers out			$ (158,702)	
Total other financing sources (uses)	249,342	-	(158,702)	104,646
Net change in fund balance	(4,316)	55,867	(158,702)	108,658
Fund balances, July 1, 2018	89,280	294,687	158,702	234,069
Fund balances, June 30, 2019	$ 84,964	$ 350,554	$ -	$ 342,727

FORTUNA ELEMENTARY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - NONMAJOR FUNDS - CONTINUED

For The Year Ended June 30, 2019

	Bond Interest and Redemption Fund	Total Other Governmental Funds
Revenues:		
Federal revenue		$ 498,814
Other state revenue		121,484
Other local revenue	$ 877,267	980,723
Total revenues	877,267	1,601,021
Expenditures:		
Classified salaries		354,035
Employee benefits		219,220
Books and supplies		309,484
Services and other operating expenses		28,551
Capital outlay		6,243
Debt Service - principal	167,117	167,117
Debt Service - interest	381,008	381,008
Total expenditures	548,125	1,465,658
Excess (deficiency) of revenues over (under) expenditures	329,142	135,363
Other financing sources (uses):		
Proceeds from debt	298,417	298,417
Operating transfers in		353,988
Operating transfers out		(158,702)
Total other financing sources (uses)	298,417	493,703
Net change in fund balance	627,559	629,066
Fund balances, July 1, 2018	396,476	1,173,214
Fund balances, June 30, 2019	$ 1,024,035	$ 1,802,280

FORTUNA ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

For The Year Ended June 30, 2019

The Fortuna Elementary School District was established on July 1, 2012 as the result of a voter-approved consolidation of Rohnerville School District and Fortuna Union Elementary School District, and is comprised of an area of approximately thirty square miles located in Humboldt County. The boundaries of the District are the prior existing boundaries of the Rohnerville School District and the Fortuna Union Elementary School District. The District is currently operating four elementary schools.

The Board of Trustees for the fiscal year ended June 30, 2019 was composed of the following members, each with a four-year term:

GOVERNING BOARD

Name	Office	Term Expires
Kyle Conley	President	2020
Tina Taylor	Clerk	2020
Richard Barsanti	Member	2022
Marilyn Strehl	Member	2020
Stefanie McGrath	Member	2022

ADMINISTRATION

Jeff Northern
District Superintendent

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For The Year Ended June 30, 2019

	Second Period Report		Annual Report	
	Reported	Audited	Reported	Audited
Elementary:				
Kindergarten through third	501.87	501.78	504.82	504.74
Fourth through sixth	317.29	317.28	318.34	318.17
Seventh and eighth	259.07	258.89	258.52	258.13
Total Elementary School	1,078.23	1,077.95	1,081.68	1,081.04

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

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For The Year Ended June 30, 2019

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	48,780	180	Complied
Grade 1	50,400	52,080	180	Complied
Grade 2	50,400	52,080	180	Complied
Grade 3	50,400	53,460	180	Complied
Grade 4	54,000	54,090	180	Complied
Grade 5	54,000	56,160	180	Complied
Grade 6	54,000	56,160	180	Complied
Grade 7	54,000	56,160	180	Complied
Grade 8	54,000	56,160	180	Complied

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

The District has participated in Longer Day incentive funding. The District did meet or exceed its local control funding formula target. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Section 46200 through 46206.

The District did not use a multitrack calendar.

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For The Year Ended June 30, 2019

General Fund	Budget 6/30/2020	For The Year Ended 6/30/2019	6/30/2018	6/30/2017
Revenues and other financial sources	$ 13,848,105	$ 14,806,102	$ 13,611,604	$ 13,753,234
Expenditures	13,567,293	14,598,052	13,181,964	13,574,003
Other uses and transfers out	317,349	353,988	410,254	273,329
Total Outgo	13,884,642	14,952,040	13,592,218	13,847,332
Change in Fund Balance	$ (36,537)	$ (145,938)	$ 19,386	$ (94,098)
Ending Fund Balance	$ 4,519,248	$ 4,555,785	$ 4,701,723	$ 4,682,337
Available Reserves	$ 2,448,215	$ 2,889,080	$ 2,974,221	$ 2,838,370
Designated for Economic Uncertainties	$ 2,448,215	$ 2,889,080	$ 2,974,221	$ 2,838,370
Undesignated, Unassigned Fund Balance	$ -	$ -	$ -	$ -
Available Reserves as a Percentage of Total Outgo	17.63%	19.32%	21.88%	20.50%
Total Long-Term Debt	$ 27,224,761	$ 27,785,318	$ 23,514,896	$ 21,978,556
Average Daily Attendance at P-2	1,050	1,078	1,067	1,093

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

The General Fund balance has decreased $126,552 over the past two years. The fiscal year 2019-20 budget projects a decrease of $36,537 (0.8%). For a district this size, the State recommends available reserves of at least three percent of total expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the last three years and anticipates incurring an operating deficit in the 2019-20 fiscal year. Total long-term debt has increased $5,806,762 over the past two years, mainly due to the requirement to recognize the District's proportionate share of the State-wide STRS and PERS net pension liability, and the issuance of general obligation bonds.

Regular average daily attendance increased by 11 ADA from the prior year. The District anticipates a decrease of 28 ADA in 2019-20.

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For The Year Ended June 30, 2019

Charter Schools Chartered by District	Charter School Number	Included in District Financial Statements, or Separate Report
Redwood Preparatory Charter School	1304	Separate

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through California Department of Education (CDE):			
Special Ed: IDEA Basic Loc. Assist. Entitlement Part B	84.027	13379	$ 268,473
Special Ed: IDEA Basic Loc. Assist. Entitlement Part B, Sec 611, Private Schools ISP's	84.027	10115	6,797
Total Special Ed			275,270
ESEA: Title I	84.010	13797	271,413
ESEA: Title III, Limited English Proficiency	84.365	10084	30,491
ESEA: Title II, Part A, Improving Teacher Quality	84.367	14341	50,506
ESEA: Title V, Part B, Rural & Low Income Schools	84.358	14356	10,683
ESEA: Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	23,425
Total Passed Through California Department of Education (CDE)			661,788
Total U.S. Department of Education			661,788
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Breakfast	10.553	13526	80,113
Meal Supplements	10.555	13523	37,683
National School Lunch	10.555	13523	381,018
Total Passed Through California Department of Education (CDE)			498,814
Total U.S. Department of Agriculture			498,814
U.S. Department of Health and Human Services:			
Passed through California Department of Education (CDE):			
Medi-Cal Billing Option	93.778	10013	63,096
Medi-Cal Administrative Activities	93.778	10006	89,237
Total Passed Through California Department of Education (CDE)			152,333
Total U.S. Department of Health and Human Services			152,333
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,312,935

The accompanying notes are an integral part of this schedule.

FORTUNA ELEMENTARY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2019

Basis of Presentation

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 general purpose financial statements.

The District did not use the ten percent de minimis indirect cost rate.

FORTUNA ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2019

	General Fund	Special Reserve Fund	Capital Outlay Fund
June 30, 2019 Annual Financial and Budget Report Fund Balance	$ 2,143,258	$ 2,412,528	$ 238,081
Adjustments and Reclassifications			
Increasing and (Decreasing) the Fund Balance -			
Reclassify Special Reserve Fund to General Fund	2,412,528	(2,412,528)	
Increase transfer in			104,646
Rounding	(1)		
June 30, 2019 Audited Financial Statements Fund Balance	$ 4,555,785	$ -	$ 342,727

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FORTUNA ELEMENTARY SCHOOL DISTRICT

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

Board of Trustees
Fortuna Elementary School District
500 9th Street
Fortuna, California 95540

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fortuna Elementary School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-003 through 2019-007.

District's Response to Findings

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

Purpose of this Report

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

David L. Moore & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
December 12, 2019

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FORTUNA ELEMENTARY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Fortuna Elementary School District
500 9th Street
Fortuna, California 95540

Compliance

We have audited the Fortuna Elementary School District's (the District) compliance with the requirements specified in the *2018-19 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel, that are applicable to the District's educational programs for the year ended June 30, 2019.

Management's Responsibility

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

Auditor's Responsibility

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

Our compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, Section 19810 and following. The compliance audit included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination of the District's compliance.

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

Description	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten Continuance	Yes
Independent study	Partial (See below)
Continuation education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	Not applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High School	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not applicable
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
After school	Yes
Before school	Not applicable
General	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

Independent Study ADA was below the level that requires testing, therefore we did not perform all of the procedures in the audit guide related to independent study. However, during attendance testing we noted errors in completion of the independent study contracts, so the procedures related to proper dating and signing of the independent study contracts were performed.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District's educational programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the California Education Audit Appeals Panel's *2018-19 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2019-006 and 2019-007. Our opinion on the District's compliance with the requirements specified in the *2018-19 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* is not modified with respect to these matters.

District's Response to Findings

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

Purpose of this Report

The purpose of this report on state compliance is solely to describe the scope of our testing of the District's state compliance and the results of that testing based on the requirements specified in the *2018-19 Guide For Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

David L. Moore & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
December 12, 2019

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FORTUNA ELEMENTARY SCHOOL DISTRICT

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

Board of Trustees
Fortuna Elementary School District
500 9th Street
Fortuna, California 95540

Report on Compliance for Each Major Federal Program

We have audited Fortuna Elementary School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The 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 the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 the District's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2019-003 through 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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*

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

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.

David L. Moonie & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
December 12, 2019

FINDINGS AND QUESTIONED COSTS SECTION

FORTUNA ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2019

Section I - Summary of Auditor's Results
Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553	Child Nutrition: National School Breakfast Program
10.555	Child Nutrition: Meal Supplements Program
10.555	Child Nutrition: National School Lunch Program
84.010	ESEA: Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2019-001: STUDENT BODY ACCOUNT - INTERNAL CONTROLS OVER EXPENDITURES (CODE 30000)

Criteria

The California Associated Student Body Accounting Manual includes cash awards, gifts to individuals, and expenditures for school supplies as prohibited transactions from student body accounts. Gift cards are considered to be the same as cash awards.

Condition

During our testing of student body expenditures, in which we selected between 62 percent and 100 percent of all expenditures from each student body account maintained by the District, we found the following exceptions:

1. South School Script account purchased gift cards totaling $129 for student awards.

Effect

There was a total of $129 spent for gift cards, which are considered to be unallowable gifts.

Cause

The District has a policy prohibiting the use of gift cards, however, at least one purchase was made without the District realizing it was a gift card purchase.

Recommendation

We recommend that the District closely monitor Student Body expenditures for gift card purchases, and not allow any expenditures for gift card purchases.

Views of Responsible Officials and Planned Corrective Actions

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

2019-002: INVENTORY OF EQUIPMENT (CODE 20000)

Criteria

Education Code Section 35168 requires that the District maintain an inventory of equipment containing the description, name, identification number, and original cost of all equipment items over $500.

Condition

The District has an equipment list, but it has not been updated to include all changes for the current year.

Effect

Updated current information on what equipment the District currently owns and where the equipment is in the District was not available.

Cause

The District was not able to devote the resources to update the list.

Recommendation

We recommend that the District update its equipment list to include all 2018/19 additions and dispositions, and that the list be updated at least annually in all future years.

Views of Responsible Officials and Planned Corrective Actions

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

Section III – Federal Award Findings and Questioned Costs

2019-003: DOCUMENTATION OF PROCUREMENT, SUSPENSION, AND DEBARMENT PROCEDURES.(CODE 50000)

Programs Affected

National School Lunch Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.
National School Breakfast Program, U.S. Department of Agriculture, CFDA number 10.553, passed through the California Department of Education, award year 2018/19, award number not available.
Meal Supplements Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.

Criteria

Title 2, Section 200.318 (2 CFR 200.318) of the Code of Federal Regulations (CFR), requires written policies and procedures regarding procurement of goods and services for federal awards. 2 CFR 200.320 requires that one of three procurement methods be used: Procurements by micro-purchases for acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (currently \$3,500); Procurements by small purchase procedures, for securing goods or services that do not cost more than the Simplified Acquisition Threshold (currently \$150,000); or Procurement by sealed bids, for goods and services in excess of the Simplified Acquisition Threshold. In addition, 2 CFR 200.213 requires that written procedures be in place for checking suspension and debarment status of certain vendors receiving federal funds from the District.

Condition

The District did not fully document small purchase procedures and vendor suspension/debarment review for purchases for the Child Nutrition Program.

Cause

The District was in the process of implementing new policies for procurement, suspension, and debarment during 2018/19, and did not fully implement procedures to document the steps taken to comply with procurement and suspension/debarment requirements.

Effect

Documentation verifying that quotes from multiple contractors and vendors were reviewed and that vendors were checked for suspension or debarment status was not available. Based on review of all federal expenditures, there were no vendors or contractors who exceeded the Simplified Acquisition Threshold, and based on audit testing of significant vendors used by the District during the year, no vendors or contractors were noted who were suspended or debarred.

Questioned Costs

There are no questioned costs. However, the District did not document that it utilized the lowest cost vendor possible. The District has limited options available for large food purchases, and it is unlikely that a reliable lower cost vendor would be found.

Repeat Finding

This finding is a partial repeat of prior year Finding 2018-001. The District did establish policies as recommended in the prior year finding and implemented the procedures for other programs, but did not fully implement documentation of performing those procedures in the child nutrition program.

Recommendation

We recommend that the District establish forms to document review of multiple vendor quotes for services and for verifying that vendors are not suspended or debarred from receiving federal funds.

Views of Responsible Officials and Planned Corrective Actions

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

2019-004: FEDERAL SCHOOL NUTRITION PROGRAM – FREE AND REDUCED APPLICATIONS (CODE 50000)

Programs Affected

National School Lunch Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.
National School Breakfast Program, U.S. Department of Agriculture, CFDA number 10.553, passed through the California Department of Education, award year 2018/19, award number not available.
Meal Supplements Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.

Criteria

Title 7, Section 245.10 of the Code of Federal Regulations requires, among other things, that a local education agency have approved policies for obtaining documentation for determining children's eligibility for free and reduced meals.

Condition

During out testing of free and reduced applications, in which we tested 30 applications, the District did not change the status of one student who qualified as free in the prior year after the thirty day grace period. This resulted in one student approved for free that should have been paid. Because of the immaterial dollar amount of any potential over-reimbursement to the District, we do not consider this to be a material instance of noncompliance with the requirements of the Child Nutrition Program. However, the District does need to carefully review applications and the approved free and reduced status of all students.

Cause

Clerical error.

Questioned Costs

The District received approximately $800 of additional federal and state reimbursements.

Recommendation

We recommend that the District carefully review each application to ensure clerical accuracy. In addition, we recommend training relevant staff regarding obtaining applications each year.

Views of Responsible Officials and Planned Corrective Actions

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

2019-005: FEDERAL TIME CERTIFICATION (CODE 50000)

Programs Affected

National School Lunch Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.

National School Breakfast Program, U.S. Department of Agriculture, CFDA number 10.553, passed through the California Department of Education, award year 2018/19, award number not available.

Meal Supplements Program, U.S. Department of Agriculture, CFDA number 10.555, passed through the California Department of Education, award year 2018/19, award number not available.

Special Education, U.S. Department of Education, CFDA number 84.027, passed through California Department of Education, award year 2018/19, award number not available.

ESEA: Title I, U.S. Department of Education, CFDA number 84.010, passed through California Department of Education, award year 2018/19, award number not available.

ESEA: Title II, Improving Teacher Quality, U.S. Department of Education, CFDA number 84.367, passed through California Department of Education, award year 2018/19, award number not available.

ESEA: Title III, Limited English Proficiency, U.S. Department of Education, CFDA number 84.365, passed through California Department of Education, award year 2018/19, award number not available.

ESEA: Title V, Part B, Rural & Low Income Schools, U.S. Department of Education, CFDA number 84.358, passed through California Department of Education, award year 2018/19, award number not available.

LEA Medi-Cal Administrative Activities, U.S. Department of Health and Human Services, CFDA number 93.778, passed through California Department of Education, award year 2018/19, award number not available.

LEA Medi-Cal Billing, U.S. Department of Health and Human Services, CFDA number 93.778, passed through California Department of Education, award year 2018/19, award number not available.

Criteria

The Code of Federal Regulations, 2 CFR 225 requires that employees being funded fully or partially from federal programs complete monthly or semi-annual time certifications documenting the amount of time spent on the federal program. An employee who works solely on a single federal program may complete semi-annual certification. Employees who work on multiple programs must complete monthly time certifications

Condition

During testing of payroll, we noted that the District is not completing time certifications for all federally-funded employees.

Effect

Wages charged to federal programs were not supported by the required time certifications. Based on review of job classifications, it does not appear that wages were over-charged to the federal programs.

Questioned Costs

Total wages charged to all federal programs during the year were $797,600. Based on review of job classifications and payroll records, it does not appear that wages were over-charged to the federal programs.

Cause

The District did not have a policy requiring completion of time certifications.

Recommendation

We recommend that the District implement a policy to obtain monthly time certifications from employees who are just partially funded through federal programs, and semi-annual certifications from employees who work solely in one federal program.

Views of Responsible Officials and Planned Corrective Actions

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

Section IV – State Award Findings and Questioned Costs

2019-006: INDEPENDENT STUDY CONTRACTS (CODES 10000 AND 40000)

Criteria

California Education Code Section 51747 states that each independent study contract should be signed, prior to the commencement of the independent study, by the parent/guardian, student, and the certificated employee responsible for supervision of the independent study. Independent study is not allowable for apportionment attendance if the required signatures are not present.

Condition

During our testing of reported ADA, in which we tested attendance documentation at Ambrosini and Fortuna Middle School, we noted two independent study contracts at Ambrosini that were missing one of the required signatures. We expanded our audit of attendance to include a review of the signatures for all of the independent study contracts for the school sites tested. We found two contracts at Fortuna Middle School that were missing one of the required signatures. The total days claimed for these four contracts was 42 days. In addition, we also noted differences between the P-2 and Annual attendance summaries and the amount reported on the P-2 and Annual reports due to clerical errors.

Identification of Repeat Finding

This finding is a repeat of prior year Finding 2018-002.

Effect

42 days of independent study attendance are being disallowed. 12 of these days occurred after the P-2 report cut-off. The disallowed independent study days compute to 0.09 ADA for the P-2 report and 0.23 ADA for the annual report.

Due to clerical errors, the District overstated P-2 and Annual ADA by 0.19 and 0.41, respectively.

The total P-2 and Annual ADA overstatement is 0.28 and 0.64, respectively. This computes to an estimated over-claimed local control funding formula revenue of approximately $2,758.

Cause

Clerical errors by teachers not verifying that all signatures were obtained and dated correctly, and not verifying that the contract period was correctly entered on the independent study contract and clerical errors in preparation of the P-2 and Annual reports.

Recommendation

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

	P-2 ADA			Annual ADA		
	Reported	Increase (Decrease)	Audited	Reported	Increase (Decrease)	Audited
K-3	501.87	(0.09)	501.78	504.82	(0.08)	504.74
4-6	317.29	(0.01)	317.28	318.34	(0.17)	318.17
7-8	259.07	(0.18)	258.89	258.52	(0.39)	258.13
Total	1,078.23	(0.28)	1,077.95	1,081.68	(0.64)	1,081.04

We further recommend that all contracts be checked for proper signatures and dating prior to claiming apportionment attendance for the contract.

Views of Responsible Officials and Planned Corrective Actions

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

2019-007: UNDUPLICATED PUPIL COUNTS (CODE 40000)

Criteria

Pursuant to Education Code Section 42238.02(b)(2), the District is required to annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English learner pupil-level records for enrolled pupils to the State Superintendent using the California Longitudinal Pupil Achievement Data System (CALPADS). This information is used to determine the District's unduplicated pupil count. Unduplicated pupil means a pupil enrolled in a school district or a charter school who is either classified as an English learner, eligible for a free or reduced-price meal, or is a foster youth. A pupil is counted only once if they qualify under multiple categories. The unduplicated pupil count is used in the calculation of the District's apportionment from the local control funding formula. The count is documented in CALPADS Forms 1.17 and 1.18.

Condition

During our testing of the unduplicated student counts we noted two students for whom the District could not find documentation of eligibility for free/reduced price meals. Our sample included all of the schools within the District and comprised 26 percent of the total students claimed as free/reduced price meals and English language funding eligible. Extrapolating this error to the total population results in a computed number of missing applications of eight. We also noted four students who were claimed as eligible as English learners. However, the students were reclassified as English proficient in the prior year. We expanded our sample to include 100% of all English learners included in the unduplicated pupil count.

Identification of Repeat Finding

This finding is a repeat of prior year Finding 2018-004.

Effect

The District's unduplicated student count was overstated by 12 students. Reducing the unduplicated count by 12 results in a reduction in the revenue from the local control funding formula in the amount of $11,127. Following is a schedule of the reported and audited counts.

		Increase (Decrease) to Unduplicated Pupil Count Based on Adjustments of:				Total Enrollment	
	Certified Total Unduplicated Pupil Count	Eligibility For Free/ Reduced Price Meals (FRPM)	Eligibility for English Learner Funding (EL)	Eligibility For Both FRPM and EL	Adjusted Total Unduplicated Pupil Count	Certified Total Enrollment Count	Adjusted Total Enrollment Count
District Total	847	(8)	(4)		835	1,134	1,134
Schools Tested:							
Fortuna Middle	190		(2)		188	226	226
Norman G. Ambrosini Elementar	229	(8)			221	340	340
South Fortuna Elementary	278		(1)		277	308	308
Toddy Thomas Elementary	150		(1)		149	260	260

Cause

Clerical error.

Recommendation

We recommend that the District ensure that free/reduced meals applications are on hand for all students included in the CALPADS Forms 1.18 and 1.17. We further recommend that the District ensure that all students eligible for English learner funding are not English proficient.

Views of Responsible Officials and Planned Corrective Actions

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

Fortuna Elementary School District

Jeffry E. Northern, M.A., District Superintendent
500 9th Street, Fortuna, California 95540-1997 • 707/725-2293 FAX 707/725-2228

DISTRICT'S CORRECTIVE ACTION PLAN

For The Year Ended June 30, 2019

FINDING 2019-001: STUDENT BODY ACCOUNT - INTERNAL CONTROLS OVER EXPENDITURES (CODE 30000)

Name of contact person: Jennifer Goodner

Corrective Action: Staff will be reminded that gift cards are not an allowable purchase.

Proposed Completion Date: 12/31/2019

FINDING 2019-002: INVENTORY OF EQUIPMENT (CODE 20000)

Name of contact person: Jennifer Goodner/Robert Gearhart

Corrective Action: The district will update its equipment list to include all 2018/19 additions and dispositions. The list will be updated at least annually in future years.

Proposed Completion Date: 06/30/2020

FINDING 2019-003: DOCUMENTATION OF PROCUREMENT, SUSPENSION, AND DEBARMENT PROCEDURES.(CODE 50000)

Name of contact person: Jennifer Goodner/Shelby Hunt

Corrective Action: The district will implement the procedures for procurement and disbarment in the child nutrition program

Proposed Completion Date: 12/31/2019

Ambrosini Elementary
Amy Betts, M.A., Principal
3850 Rohnerville Road
707/725-4688 Fax 707/725-4941

South Fortuna Elementary
Tim Grimmett, Principal
2089 Newburg Road
707/725-2519 Fax 707/725-2085

Fortuna Middle School
Julie Johansen, M.A., Principal
843 L Street
707/725-3415 Fax 707/725-6240

Toddy Thomas Middle School
Mathew Bigham, Principal
2800 Thomas Street
707/725-5197 Fax 707/725-8637

Fortuna Elementary School District

Jeffry E. Northern, M.A., District Superintendent
500 9th Street, Fortuna, California 95540-1997 • 707/725-2293 FAX 707/725-2228

DISTRICT'S CORRECTIVE ACTION PLAN - CONTINUED

For The Year Ended June 30, 2019

FINDING 2019-004: FEDERAL SCHOOL NUTRITION PROGRAM – FREE AND REDUCED APPLICATIONS (CODE 50000)

Name of contact person: Jennifer Goodner

Corrective Action: The district will carefully review applications and the approved free and reduced status of all students in the future.

Proposed Completion Date: 06/30/2020

FINDING 2019-005: FEDERAL TIME CERTIFICATION (CODE 50000)

Name of contact person: Gina Short

Corrective Action: The district will implement a policy to obtain monthly time certifications from employees who are just partially funded through federal programs, and semi-annual certifications from employees who work solely in one federal program.

Proposed Completion Date: 06/30/2020

FINDING 2019-006: INDEPENDENT STUDY CONTRACTS (CODE 10000)

Name of contact person: Jennifer Goodner

Corrective Action: The district will amend the P-2 and Annual Attendance Report. Independent Study contracts will be reviewed for accuracy before claiming apportionment attendance.

Proposed Completion Date: 12/31/2019

Ambrosini Elementary	South Fortuna Elementary	Fortuna Middle School	Toddy Thomas Middle School
Amy Betts, M.A., Principal	Tim Grimmett, Principal	Julie Johansen, M.A., Principal	Mathew Bigham, Principal
3850 Rohnerville Road	2089 Newburg Road	843 L Street	2800 Thomas Street
707/725-4688 Fax 707/725-4941	707/725-2519 Fax 707/725-2085	707/725-3415 Fax 707/725-6240	707/725-5197 Fax 707/725-8637

Fortuna Elementary School District

Jeffry E. Northern, M.A., District Superintendent
500 9th Street, Fortuna, California 95540-1997 • 707/725-2293 FAX 707/725-2228

DISTRICT'S CORRECTIVE ACTION PLAN - CONTINUED

For The Year Ended June 30, 2019

FINDING 2019-007: UNDUPLICATED PUPIL COUNTS (CODE 40000)

Name of contact person: Jennifer Goodner

Corrective Action: The district will ensure that they have documentation for all students included in the CALPADS Forms 1.18 and 1.17 that qualify as free/reduced.

Proposed Completion Date: 6/30/20

Ambrosini Elementary
Amy Betts, M.A., Principal
3850 Rohnerville Road
707/725-4688 Fax 707/725-4941

South Fortuna Elementary
Tim Grimmett, Principal
2089 Newburg Road
707/725-2519 Fax 707/725-2085

Fortuna Middle School
Julie Johansen, M.A., Principal
843 L Street
707/725-3415 Fax 707/725-6240

Toddy Thomas Middle School
Mathew Bigham, Principal
2800 Thomas Street
707/725-5197 Fax 707/725-8637

2018-001: DOCUMENTATION OF PROCUREMENT, SUSPENSION, AND DEBARMENT PROCEDURES.(CODE 50000)

Condition

The District did not fully document small purchase procedures and vendor suspension/debarment review for purchases of chromebooks charged to federal programs and purchases of food for the Child Nutrition Program.

Recommendation

We recommend that the District establish forms to document review of multiple vendor quotes for services and for verifying that vendors are not suspended or debarred from receiving federal funds.

Current Status

Partially implemented. See Finding 2019-003.

2018-002: INDEPENDENT STUDY CONTRACTS (CODE 10000)

Condition

During our testing of reported ADA, in which we tested attendance documentation at all the District's school sites, we noted an independent study contract at South School that was missing a required signature. We expanded our audit of attendance to include a review of the signatures for all of the independent study contracts for the District. We found three more contracts at South School and three contracts at Fortuna Middle School that were either not signed by all required parties, or not dated correctly. The total days claimed for these seven contracts was 28 days.

Recommendation

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

	P-2 ADA			Annual ADA		
	Reported	Increase (Decrease)	Audited	Reported	Increase (Decrease)	Audited
K-3	497.42	(0.04)	497.38	495.14	(0.07)	495.07
4-6	350.38	(0.03)	350.35	348.44	(0.05)	348.39
7-8	219.37	(0.03)	219.34	219.08	(0.04)	219.04
Total	1,067.17	(0.10)	1,067.07	1,062.66	(0.16)	1,062.50

We further recommend that all contracts be checked for proper signatures and dating prior to claiming apportionment attendance for the contract.

Current Status

Partially implemented. See Finding 2019-006.

2018-003: AFTER SCHOOL EDUCATION AND SAFETY (ASES) PROGRAM (CODE 40000)

Condition

During our testing of attendance reported on the ASES semi-annual attendance reports, we noted the following errors:

1. Toddy Thomas School's 1st semester regular attendance was overstated by 54 days due to apparent clerical error in adding up total attendance days for the semester.
2. For Ambrosini School, we noted errors in recording absences from the after school program. We tested one week and noted 8 instances where students were not shown as present on the daily sign in sheet, but were claimed for attendance. Projecting to entire year results in total overstatement of 288 days. In addition, there was a difference between attendance per our recomputed totals and the reported amount on the 1st and 2nd semester reports of 39 days and 11 days, respectively. The total computed overstatement is 170 days for 1st semester and 168 days for 2nd semester for Ambrosini School.

Recommendation

We recommend that the District amend the 1st and 2nd semester ASES attendance reports as follows:

1st Semester Report:

1. Reduce Toddy Thomas School's attendance from 3,445 to 3,391.
2. Reduce Ambrosini School's attendance from 6,303 to 6,133.

2nd Semester Report:

1. Reduce Ambrosini School's attendance from 7,548 to 7,380

Current Status

Implemented.

2018-004: UNDUPLICATED PUPIL COUNTS (CODE 40000)

Condition

During our testing of the unduplicated student counts we noted three students for whom the District could not find documentation of eligibility for free/reduced price meals. Our sample included all of the schools within the District and comprised 38 percent of the total students claimed as free/reduced price meals and English language funding eligible. Extrapolating this error to the total population results in a computed number of missing applications of 8.

Recommendation

We recommend that the District ensure that free/reduced meals applications are on hand for all students included in the CALPADS Forms 1.18 and 1.17.

Current Status

Not implemented. See Finding 2019-007.

APPENDIX C

GENERAL AND DEMOGRAPHIC INFORMATION FOR THE CITY OF FORTUNA AND HUMBOLDT COUNTY

*The following information concerning the City of Fortuna (the "**City**") and the Humboldt County (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

General

The City. The District is located in the City, along with unincorporated areas in the County. The City is located near the northeast shore of the Eel River (approximately 9 miles from where it enters the Pacific Ocean), and is on U.S. Route 101 in the western-central portion the County. The City was incorporated on February 20, 1906, and, because of the Eel River, became known for its agricultural prowess in vegetable crops, berries and fruits, and for the fresh fish from the river. Although agricultural industry was expanding, the lumber industry is what started the city, and would continue as the main source of local income for some time to come.

The County. The County is the largest and most populous of the north coast counties. The County was created from the western portion of Trinity County in 1853. The County's name is derived from Humboldt Bay. Originally discovered in 1806 by a hunting party, the bay was not rediscovered until 1849 and then named in honor of the naturalist and explorer Baron Alexander Von Humboldt. The County's 3,600 square miles are known for their rural beauty, roughly 80% of which is designated recreation areas and timber land. The County is home to the biggest and oldest redwood trees in the world. Natural resources also make the County a primary tourist destination. Popular sites include: Six Rivers National Forest, King Range National Conservation Area, Humboldt Redwoods State Park, Redwoods National Park, and Richardson Grove State Park.

Population

The following table lists population figures for the cities in the County and the County for the last five calendar years.

COUNTY OF HUMBOLDT
Population Estimates - Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
Arcata	17,860	17,952	18,118	18,054	18,078
Blue Lake	1,262	1,271	1,276	1,253	1,243
Eureka	27,178	27,170	27,301	27,195	26,977
Ferndale	1,364	1,360	1,366	1,344	1,335
Fortuna	**12,020**	**12,042**	**12,092**	**12,144**	**12,084**
Rio Dell	3,341	3,344	3,365	3,351	3,326
Trinidad	359	359	362	363	360
Balance Of County	72,051	72,168	72,682	72,380	71,930
County Total	**135,435**	**135,666**	**136,562**	**136,084**	**135,333**

Source: State Department of Finance estimates.

Employment and Industry

The table below provides information about employment rates and employment by industry type for the County for calendar years 2014 through 2018.

COUNTY OF HUMBOLDT
Annual Averages of Civilian Labor Force, Employment and Unemployment and Employment by Industry
Calendar Years 2014 through 2018
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force (1)	62,400	62,300	62,500	62,600	63,000
Employment	58,200	58,900	59,400	60,000	60,800
Unemployment	4,100	3,500	3,100	2,600	2,200
Unemployment Rate	6.7%	5.6%	4.9%	4.2%	3.6%
Wage and Salary Employment (2)					
Agriculture	800	900	900	900	900
Mining and Logging	300	300	300	400	400
Construction	1,600	1,800	1,800	2,000	2,100
Manufacturing	2,100	2,000	2,100	2,000	2,100
Wholesale Trade	1,000	900	1,000	1,000	1,000
Retail Trade	7,000	7,200	7,400	7,500	7,300
Transportation, Warehousing and Utilities	1,300	1,200	1,200	1,200	1,200
Information	500	500	400	400	400
Financial Activities	1,600	1,600	1,700	1,700	1,800
Professional and Business Services	2,600	2,700	2,800	2,900	3,300
Educational and Health Services	8,000	8,100	8,500	8,800	9,000
Leisure and Hospitality	5,300	5,600	5,800	5,800	5,800
Other Services	1,900	1,900	1,800	1,900	2,000
Federal Government	700	800	800	800	700
State Government	3,400	3,500	3,500	3,400	3,500
Local Government	9,600	9,700	9,900	10,100	10,200
Total, All Industries (3)	47,700	48,700	49,700	50,700	51,400

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

Major Employers

The table below lists the major employers in the County as of January 2020, listed alphabetically.

COUNTY OF HUMBOLDT
Major Employers
As of January 2020

Employer Name	Location	Industry
Bettendorf Trucking	Arcata	Trucking
Blue Lake Casino & Hotel	Blue Lake	Casinos
Costco Wholesale	Eureka	Wholesale Clubs
Eureka City Clerk	Eureka	Government Offices-City/Village & Twp
Eureka High School	Eureka	Schools
Green Diamond Resource Co	Korbel	Foresters-Consulting
Green Diamond Resource Co	Korbel	Foresters-Consulting
Humboldt County Dept-Health	Eureka	Clinics
Humboldt County Dept-Pubc Hlth	Eureka	Government Offices-County
Humboldt County Mental Health	Eureka	Hospitals
Humboldt County Office of Educ	Eureka	County Government-Education Programs
Humboldt County Sheriff Dept	Eureka	Government Offices-County
Humboldt County Social Svc	Eureka	Government Offices-County
Mad River Community Hospital	Arcata	Hospitals
Newmarket International Inc	Eureka	Hospitality Training
Pacific Seafood Co	Eureka	Prepared Fish & Seafood Products (mfrs)
Redwood Memorial Hospital	Fortuna	Hospitals
St Joseph Hospital Eureka	Eureka	Hospitals
St Joseph Hospital-Admin	Eureka	Health Services
Sun Valley Group	Arcata	Greenhouses
Target	Eureka	Department Stores
Trinidad Rancheria	Trinidad	Associations
Umpqua Bank	Eureka	Banks
Walmart	Eureka	Department Stores
Winco Foods	Eureka	Grocers-Retail

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Effective Buying Income

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

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2016 through 2020.

CITY OF FORTUNA, COUNTY OF HUMBOLDT, THE STATE OF CALIFORNIA AND THE UNITED STATES
Effective Buying Income
As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Fortuna	$233,153	$39,802
	County of Humboldt	2,795,240	39,485
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Fortuna	$230,556	$38,691
	County of Humboldt	2,782,122	38,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Fortuna	$239,448	$40,986
	County of Humboldt	3,035,162	39,991
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Fortuna	$252,434	$42,463
	County of Humboldt	3,158,777	42,028
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Fortuna	$268,019	$44,695
	County of Humboldt	3,520,677	44,787
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Commercial Activity

Summaries of historic taxable sales within the City and the County during 2014 through 2018 are shown in the following tables. Figures are not yet available for 2019.

During the first two quarters of calendar year 2019, total taxable transactions in the City were reported to be $77,037,033, representing a 1.16% decrease over the total taxable transactions of $77,939,145 that were reported in the City during the first two quarters of calendar year 2018.

CITY OF FORTUNA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		**Total Outlets**	
Year	Retail Permits on July 1	Taxable Transactions	Total Permits on July 1	Taxable Transactions
2014	291	$106,008	397	$136,011
2015[(1)]	282	112,518	433	143,263
2016	286	125,248	442	161,110
2017	283	126,511	449	168,521
2018	282	119,921	464	159,674

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

During the first two quarters of calendar year 2019, total taxable transactions in the County were reported to be $956,870,556, representing a 1.60% decrease over the total taxable transactions of $972,383,576 that were reported in the County during the first two quarters of calendar year 2018.

COUNTY OF HUMBOLDT
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		**Total Outlets**	
Year	Retail Permits on July 1	Taxable Transactions	Total Permits on July 1	Taxable Transactions
2014	3,440	$1,412,669	4,706	$1,899,619
2015[(1)]	1,964	1,474,165	5,253	1,985,209
2016	3,325	1,589,169	5,527	2,128,331
2017	3,315	1,597,882	5,745	2,183,638
2018	3,325	1,531,855	6,205	2,030,972

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Construction Activity

Building activity for the past five years in the City and the County are shown in the following tables.

CITY OF FORTUNA
Total Building Permit Valuations
For Calendar Years 2015 through 2018
(Valuations in Thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$2,015.0	$3,708.0	$4,588.3	$8,314.7	$5,066.5
New Multi-family	2,724.6	1,291.6	0.0	1,084.7	1,434.3
Res. Alterations/Additions	1,027.3	1,692.2	1,912.5	1,207.3	1,563.2
Total Residential	5,766.9	6,691.8	6,500.8	10,606.7	8,064.0
New Commercial	632.3	2,226.7	12,474.0	1,505.5	4,603.2
New Industrial	0.0	1,320.2	0.0	0.0	353.2
New Other	650.0	183.7	102.2	207.7	247.4
Com. Alterations/Additions	3,167.5	1,175.7	2,798.6	1,498.5	3,172.7
Total Nonresidential	4,449.8	4,906.3	15,374.8	3,211.7	8,376.5
New Dwelling Units					
Single Family	11	16	19	28	20
Multiple Family	33	10	0	10	11
TOTAL	44	26	19	38	31

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF HUMBOLDT
Total Building Permit Valuations
For Calendar Years 2015 through 2018
(Valuations in Thousands)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$24,382.2	$25,200.1	$29,123.3	$32,530.7	$32,487.9
New Multi-family	5,381.8	3,255.8	2,435.3	4,786.7	5,897.3
Res. Alterations/Additions	13,773.7	11,341.3	15,845.1	9,875.0	12,986.8
Total Residential	43,537.7	39,797.2	47,403.7	47,192.4	51,372.0
New Commercial	24,721.1	8,002.5	18,732.4	13,628.3	17,416.5
New Industrial	2,924.9	2,534.1	2,302.2	211.7	2,129.2
New Other	4,708.9	1,911.2	1,275.5	2,042.7	3,906.4
Com. Alterations/Additions	14,798.7	48,406.3	10,807.6	17,727.2	20,991.8
Total Nonresidential	47,153.6	60,854.1	33,117.7	33,609.9	44,443.9
New Dwelling Units					
Single Family	148	133	155	151	153
Multiple Family	71	22	52	76	127
TOTAL	219	155	207	227	280

Source: Construction Industry Research Board, Building Permit Summary.

Transportation

The County. Humboldt Transit Authority ("**HTA**") operates two fixed route transit bus systems: Redwood Transit System and Eureka Transit Service. The Redwood Transit System provides intercity service to and within communities between Trinidad and Scotia, including Manila, King Salmon, Field's Landing, Loleta, Fernbridge and Fortuna. HTA also offers service between McKinleyville or Arcata and Willow Creek and an express bus between Arcata and College of the Redwoods when classes are in session. The Eureka Transit Service operates in the City of Eureka, it provides local service on four scheduled routes in Eureka and its adjacent unincorporated communities. Connections can be made to the Redwood Transit System at several places in Eureka. Some other local public transit systems are: Arcata and Mad River Transit System, Blue Lake Rancheria Transit Authority and Del Norte County's Redwood Coast Transit.

Amtrak Thruway bus has stops in many towns in the region, including Eureka, Arcata, and Fortuna. These stops are not managed by Amtrak and therefore have no services beyond serving passengers. Full service is only provided at the train station in Martinez, near San Francisco.

Arcata-Eureka Airport is located in McKinleyville. Commercial flights are available. Other general aviation airports are located at Dinsmore, Garberville, Kneeland, Murray Field (Eureka), Samoa Field and Rohnerville (Fortuna).

California's second largest natural bay, Port of Humboldt Bay is located in the County.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

________, 2020

Board of Trustees
Fortuna Elementary School District
500 9th Street
Fortuna, California 95540

OPINION: $_____________ Fortuna Elementary School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series B

Members of the Board of Trustees:

We have acted as bond counsel to the Fortuna Elementary School District (the "District") in connection with the issuance by the District of $_____________ principal amount of Fortuna Elementary School District (Humboldt County, California) General Obligation Bonds, Election of 2018, Series B, dated the date hereof (together, the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on December 12, 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 Board 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 the foregoing, we are of the opinion, under existing law, as follows:

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

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

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Humboldt is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to the portion of the Bonds designated as and comprising interest.

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

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____________
FORTUNA ELEMENTARY SCHOOL DISTRICT
(Humboldt County, California)
General Obligation Bonds
Election of 2018, Series B
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Fortuna Elementary 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 December 12, 2019 (the "**Resolution**"). The Bank of New York Mellon Trust Company, N.A. is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently being March 31 based on a fiscal year ending June 30).

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

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

"*Participating Underwriter*" means RBC Capital Markets, LLC, the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 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 of this Disclosure Certificate; provided that the filing of the Official Statement with the MSRB will serve as the first Annual Report. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format, as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

(i) assessed valuation of taxable properties in the District for the most recently completed fiscal year or for the current fiscal year if available at the time of filing the Annual Report;

(ii) property tax collection delinquencies for the District for the most recently completed Fiscal Year, if available at the time of filing the Annual Report, and

(iii) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the 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.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _______, 2020

FORTUNA ELEMENTARY SCHOOL DISTRICT

By: ______________________________
Name:____________________________
Title:_____________________________

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.

By: ______________________________
Name:____________________________
Title:_____________________________

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

HUMBOLDT COUNTY INVESTMENT POLICY
AND INVESTMENT REPORT

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COUNTY OF HUMBOLDT

STATEMENT OF INVESTMENT POLICY

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COUNTY OF HUMBOLDT

STATEMENT OF INVESTMENT POLICY

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

1. ***POLICY STATEMENT***

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

2. ***STANDARDS OF CARE***

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

3. ***INVESTMENT OBJECTIVES***

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

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

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

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

4. *IMPLEMENTATION*

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

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

5. *PARTICIPANTS*

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

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

6. *AUTHORIZED PERSONS*

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

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

7. *AUTHORIZED INVESTMENTS*

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

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

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

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

8. PROHIBITED INVESTMENTS

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

9. *INVESTMENT CRITERIA*

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

10. ***BANKERS' ACCEPTANCE***

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

11. ***COMMERCIAL PAPER***

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

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

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

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

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

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

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

14. ***COLLATERAL***

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

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

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

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

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

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

16. *WITHDRAWAL REQUESTS*

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

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

17. *DELIVERY & SAFEKEEPING*

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

18. *APPORTIONMENT OF INTEREST & COSTS*

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

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

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

20. *LIMITS ON HONORARIA, GIFTS AND GRATUITIES*

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

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

21. *AUDITS*

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

22. *EXCEPTION TO POLICY*

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

23. *INVESTMENT OF BOND PROCEEDS*

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

24. *NUCLEAR FREE POLICY*

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

25. *GLOSSARY OF TERMS*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Summary
December 31, 2019

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Certificates of Deposit	8,826,000.00	8,826,000.00	8,826,000.00	2.36	1,749	1,220	2.452	2.486
Money Markets	93,470,532.14	93,470,532.14	93,470,532.14	25.03	1	1	2.086	2.115
Medium Term Notes	24,750,000.00	24,996,953.69	25,075,021.76	6.71	835	725	1.941	1.968
Federal Agency Coupon Securities	209,804,000.00	210,317,065.34	209,626,321.31	56.12	1,557	577	1.800	1.825
Treasury Coupon Securities	26,000,000.00	25,974,893.89	25,954,688.27	6.95	1,276	670	1.616	1.639
Municipal Bonds	10,600,000.00	10,602,890.76	10,554,691.22	2.83	1,385	1,228	2.150	2.179
Investments	**373,450,532.14**	**374,188,335.82**	**373,507,254.70**	**100.00%**	**1,099**	**483**	**1.893**	**1.920**

Total Earnings	**December 31 Month Ending**
Current Year	583,658.64
Average Daily Balance	**347,924,203.42**
Effective Rate of Return	**1.98%**

John Bartholomew, Treasurer - Tax Collector

Reporting period 12/01/2019-12/31/2019

Run Date: 01/06/2020 - 09:23

No fiscal year history available

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Details - Investments
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Certificates of Deposit												
02007GKC6	11162	Ally Bank FDIC 57803		06/06/2019	245,000.00	245,000.00	245,000.00	2.500		2.500	887	06/06/2022
02587DF86	10947	AMEX Centurion FDIC 2747		11/04/2015	245,000.00	245,000.00	245,000.00	2.250		2.250	308	11/04/2020
82669LJE4	11173	Signature Bank of Arkansas #89		06/28/2019	245,000.00	245,000.00	245,000.00	2.200		2.200	1,457	12/28/2023
06653LAE0	11157	Bank3 Tennessee FDIC 15205		05/08/2019	245,000.00	245,000.00	245,000.00	2.500		2.500	1,223	05/08/2023
14042RBQ3	10946	Capital One NA FDIC 4297		11/04/2015	245,000.00	245,000.00	245,000.00	2.150		2.150	308	11/04/2020
15118RSJ7	11175	Celtic Bank FDIC 57056		09/30/2019	248,000.00	248,000.00	248,000.00	2.000		2.000	3,194	09/29/2028
17284C2Z6	10858	Citi Bank FDIC 35575		11/13/2014	245,000.00	245,000.00	245,000.00	2.650		2.650	684	11/15/2021
17312Q3B3	11146	Citi Bank NA FDIC 7213		02/27/2019	245,000.00	245,000.00	245,000.00	3.000		3.000	1,518	02/27/2024
20033AW51	11159	Comenity Capital FDIC 57570		05/15/2019	245,000.00	245,000.00	245,000.00	2.750		2.750	1,596	05/15/2024
254672WG9	10948	Discover Bank FDIC 5649		11/04/2015	245,000.00	245,000.00	245,000.00	2.200		2.200	308	11/04/2020
249398BV9	11171	Denver Savings Bank		06/26/2019	245,000.00	245,000.00	245,000.00	2.200		2.200	1,638	06/26/2024
29266NE29	10861	Enerbank USA 76066		11/25/2014	245,000.00	245,000.00	245,000.00	2.600		2.600	1,059	11/25/2022
33646CLA0	11166	First Source Bank FDIC 9087		06/13/2019	245,000.00	245,000.00	245,000.00	2.400		2.400	924	07/13/2022
33847E2K2	11165	Flagstar Bank FDIC 32541		06/12/2019	245,000.00	245,000.00	245,000.00	2.450		2.450	894	06/13/2022
33715LDP2	11139	First Technology FCU #19976		02/06/2019	245,000.00	245,000.00	245,000.00	3.350		3.350	1,497	02/06/2024
38148P4P9	11138	Goldman Sachs FDIC 33124		02/04/2019	245,000.00	245,000.00	245,000.00	3.150		3.150	1,490	01/30/2024
427883AS2	11176	Hershey St BK FDIC 19809		09/30/2019	248,000.00	248,000.00	248,000.00	1.700		1.700	1,731	09/27/2024
91435LBB2	11167	Univ of Iowa CCU FDIC 60269		06/14/2019	245,000.00	245,000.00	245,000.00	2.450		2.450	530	06/14/2021
48125Y2R4	11039	JP Morgan Chase Bank FDIC 628		06/10/2016	245,000.00	245,000.00	245,000.00	2.000		2.000	1,622	06/10/2024
49254FAP1	11147	Keesler FCU FDIC 5561		02/28/2019	245,000.00	245,000.00	245,000.00	3.050		3.050	607	08/30/2021
499724AK8	11190	Knoxville Employee CU 68085		11/26/2019	245,000.00	245,000.00	245,000.00	1.950		1.950	1,791	11/26/2024
549104GQ4	11168	Luana Savings Bank FDIC 253		06/07/2019	245,000.00	245,000.00	245,000.00	2.300		2.300	888	06/07/2022
56065GAG3	11155	Mainstreet Bank FDIC 57742		04/26/2019	245,000.00	245,000.00	245,000.00	2.600		2.600	1,577	04/26/2024
58404DEG2	11164	Medallion Bank FDIC 57449		06/10/2019	245,000.00	245,000.00	245,000.00	2.500		2.500	1,622	06/10/2024
59013J7P8	11154	Merrick Bank FDIC 34519		04/23/2019	245,000.00	245,000.00	245,000.00	2.600		2.600	1,330	08/23/2023
59541KBU0	11160	Mid Mo Bk Springfield 15584		05/17/2019	245,000.00	245,000.00	245,000.00	2.400		2.400	1,598	05/17/2024
61690UDW7	11140	Morgan Stanley NA FDIC 32992		02/07/2019	245,000.00	245,000.00	245,000.00	3.100		3.100	1,498	02/07/2024
61760AVJ5	11141	Morgan Stanley PVT FDIC 34221		02/07/2019	245,000.00	245,000.00	245,000.00	3.100		3.100	1,498	02/07/2024
68002LBR8	11156	Old Missouri Bank FDIC 8252		05/06/2019	245,000.00	245,000.00	245,000.00	2.500		2.500	1,223	05/08/2023
795450WV3	10952	Sallie Mae Bank FDIC 58177		11/04/2015	245,000.00	245,000.00	245,000.00	2.200		2.200	308	11/04/2020
8562843L6	10865	Bank of India NY FDIC 33682		12/05/2014	245,000.00	245,000.00	245,000.00	3.100		3.100	1,800	12/05/2024
87164XYV2	11163	Synchrony Bank FDIC 27314		06/07/2019	245,000.00	245,000.00	245,000.00	2.400		2.400	888	06/07/2022
87164DNM8	11169	Synovus BK Columbus FDIC 873		06/17/2019	245,000.00	245,000.00	245,000.00	2.400		2.400	533	06/17/2021
87270LBY8	11150	TIAA FSB FDIC 34775		04/17/2019	245,000.00	245,000.00	245,000.00	2.650		2.650	1,020	10/17/2022
92535LCH5	11172	Versus Bank of Commerce #58025		06/28/2019	245,000.00	245,000.00	245,000.00	2.200		2.200	1,092	12/28/2022
949763M78	11178	Wells Fargo FDIC 3511		11/18/2019	245,000.00	245,000.00	245,000.00	1.950		1.950	1,752	10/18/2024

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
		Subtotal and Average	**8,961,225.81**		**8,826,000.00**	**8,826,000.00**	**8,826,000.00**			**2.486**	**1,220**	
Money Markets												
6002000	10106	CAMP			1,396,165.28	1,396,165.28	1,396,165.28	1.770		1.770	1	
9912000	10060	LAIF			50,139,157.51	50,139,157.51	50,139,157.51	2.120		2.120	1	
7512003	10084	LAIF			41,935,209.35	41,935,209.35	41,935,209.35	2.120		2.120	1	
993155761	10879	Umpqua Bank			0.00	0.00	0.00	0.440		0.440	1	
		Subtotal and Average	**76,712,381.09**		**93,470,532.14**	**93,470,532.14**	**93,470,532.14**			**2.115**	**1**	
Medium Term Notes												
06406HDD8	11196	BNY Mellon		12/12/2019	3,000,000.00	3,037,040.72	3,039,406.67	2.600		1.782	229	08/17/2020
438516BT2	11186	Honeywell International		11/25/2019	3,000,000.00	3,046,792.85	3,049,920.83	2.150		1.748	950	08/08/2022
69353RES3	11199	PNC Bank NA		12/12/2019	2,750,000.00	2,787,088.91	2,788,949.17	2.600		1.937	202	07/21/2020
828807CX3	11187	Simon Property Group		11/25/2019	3,000,000.00	3,023,660.31	3,026,430.00	2.500		1.855	561	07/15/2021
86787EAT4	11197	Suntrust Bank		12/12/2019	2,000,000.00	2,039,580.28	2,037,790.56	2.450		2.059	943	08/01/2022
86787EBE6	11198	Suntrust Bank		12/12/2019	2,000,000.00	2,041,936.65	2,038,888.89	2.800		2.058	867	05/17/2022
89236TES0	11124	Toyota		01/26/2018	3,000,000.00	2,939,186.01	3,000,000.00	2.750		2.750	1,121	01/26/2023
904764AW7	11188	Unilever Capital Corp		11/25/2019	3,000,000.00	3,025,488.28	3,032,856.67	2.200		1.777	855	05/05/2022
90331HPC1	11180	US Bank		11/22/2019	3,000,000.00	3,056,179.68	3,060,778.97	2.650	AA	1.815	873	05/23/2022
		Subtotal and Average	**21,560,331.82**		**24,750,000.00**	**24,996,953.69**	**25,075,021.76**			**1.968**	**725**	
Federal Agency Coupon Securities												
478160BS2	11073	Abbott Labs		11/23/2016	3,000,000.00	2,998,836.36	2,989,233.00	1.650		1.900	425	03/01/2021
3133EFLZ8	10939	Federal Farm Credit Bank		10/28/2015	2,000,000.00	1,999,266.66	2,000,000.00	1.460		1.460	301	10/28/2020
3133ECGV0	10971	Federal Farm Credit Bank		12/02/2015	2,000,000.00	1,999,852.54	1,999,224.54	1.440		1.520	63	03/04/2020
3133EFXM4	11006	Federal Farm Credit Bank		02/03/2016	2,000,000.00	2,000,005.56	2,000,000.00	1.520		1.520	33	02/03/2020
3133EFZT7	11011	Federal Farm Credit Bank		02/24/2016	2,000,000.00	1,999,694.14	2,000,000.00	1.400		1.400	54	02/24/2020
3133EFH42	11014	Federal Farm Credit Bank		03/02/2016	1,004,000.00	1,004,015.02	1,004,000.00	1.875		1.875	791	03/02/2022
3133EF5T0	11027	Federal Farm Credit Bank		05/03/2016	2,000,000.00	1,999,323.70	2,000,000.00	1.700		1.700	488	05/03/2021
3133EGEV3	11041	Federal Farm Credit Bank		06/14/2016	5,000,000.00	4,971,053.25	5,000,000.00	1.620		1.620	530	06/14/2021
3133EF5Y9	11046	Federal Farm Credit Bank		05/04/2016	2,000,000.00	1,998,912.62	2,000,000.00	1.470		1.470	124	05/04/2020
3133EGTM7	11049	Federal Farm Credit Bank		09/08/2016	5,000,000.00	4,994,604.90	5,000,000.00	1.375		1.375	251	09/08/2020
3133EGSA4	11050	Federal Farm Credit Bank		09/15/2016	3,000,000.00	2,992,439.28	3,000,000.00	1.320		1.320	236	08/24/2020
3133EGXX8	11060	Federal Farm Credit Bank		10/13/2016	3,000,000.00	2,996,004.45	2,999,550.00	1.340		1.355	286	10/13/2020
3133EGYB5	11068	Federal Farm Credit Bank		10/12/2016	5,000,000.00	4,987,506.65	5,000,000.00	1.540		1.540	650	10/12/2021
3133EG5D3	11102	Federal Farm Credit Bank		01/27/2017	5,000,000.00	5,044,316.30	5,000,000.00	2.030		2.030	757	01/27/2022
3133EKMX1	11161	Federal Farm Credit Bank		05/23/2019	2,000,000.00	2,040,263.34	2,000,000.00	2.230		2.230	1,514	02/23/2024
3133EKQU3	11170	Federal Farm Credit Bank		06/20/2019	2,000,000.00	2,017,308.32	1,998,288.75	1.950		1.970	1,625	06/13/2024

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Federal Agency Coupon Securities												
3133EGWX9	11174	Federal Farm Credit Bank		09/30/2019	500,000.00	496,521.23	500,000.00	1.820		1.820	2,287	04/06/2026
3133ELAE4	11195	Federal Farm Credit Bank		12/11/2019	3,000,000.00	3,004,033.80	3,000,172.92	1.625		1.656	964	08/22/2022
313383HU8	10928	Federal Home Loan Bank		06/12/2015	2,000,000.00	2,000,561.30	2,000,760.00	1.750		1.670	163	06/12/2020
3130A66T9	10933	Federal Home Loan Bank		10/16/2015	1,000,000.00	999,781.96	1,002,746.81	1.625		1.340	254	09/11/2020
3130A6PE1	10938	Federal Home Loan Bank		10/28/2015	1,250,000.00	1,250,007.04	1,250,000.00	1.600		1.600	301	10/28/2020
313383HU8	10954	Federal Home Loan Bank		11/09/2015	2,000,000.00	2,000,561.30	1,999,967.33	1.750		1.753	163	06/12/2020
313383HU8	10991	Federal Home Loan Bank		01/08/2016	2,000,000.00	2,000,561.30	2,001,200.38	1.750		1.625	163	06/12/2020
3130A6XY8	11003	Federal Home Loan Bank		01/27/2016	4,000,000.00	3,999,949.52	4,000,000.00	2.000		2.000	392	01/27/2021
3130A5Z77	11059	Federal Home Loan Bank		10/07/2016	2,100,000.00	2,102,200.09	2,112,783.67	1.830		1.205	210	07/29/2020
313380WG8	11064	Federal Home Loan Bank		11/10/2016	3,000,000.00	2,993,903.16	3,002,052.08	1.375		1.305	254	09/11/2020
3130AA2Y3	11070	Federal Home Loan Bank		11/23/2016	4,000,000.00	4,000,018.04	4,000,000.00	1.830		1.830	692	11/23/2021
3130AABG2	11074	Federal Home Loan Bank		11/30/2016	3,000,000.00	3,016,094.85	3,000,000.00	1.875		1.875	698	11/29/2021
3130AA2S6	11075	Federal Home Loan Bank		11/30/2016	3,000,000.00	2,994,048.21	3,000,000.00	1.800		1.800	695	11/26/2021
3130A9ZU8	11076	Federal Home Loan Bank		11/30/2016	3,000,000.00	2,988,154.17	3,000,000.00	1.650		1.650	695	11/26/2021
3130A8QS5	11078	Federal Home Loan Bank		12/02/2016	3,000,000.00	2,977,588.26	2,954,811.55	1.125		1.915	560	07/14/2021
3130AC4G6	11108	Federal Home Loan Bank		08/29/2017	1,000,000.00	1,000,026.94	1,000,000.00	2.640		2.640	2,066	08/28/2025
313379RB7	11110	Federal Home Loan Bank		11/30/2017	3,000,000.00	3,009,635.97	2,996,749.80	1.875		1.950	527	06/11/2021
313383HU8	11111	Federal Home Loan Bank		11/30/2017	3,000,000.00	3,000,841.95	2,998,389.47	1.750		1.860	163	06/12/2020
3130A66T9	11112	Federal Home Loan Bank		12/28/2017	3,000,000.00	2,999,345.88	2,988,512.93	1.625		2.020	254	09/11/2020
3130A8QS5	11113	Federal Home Loan Bank		12/28/2017	3,000,000.00	2,977,588.26	2,945,031.72	1.125		2.080	560	07/14/2021
3130ADJH6	11125	Federal Home Loan Bank		01/29/2018	3,000,000.00	3,001,018.53	3,000,000.00	2.100		2.100	28	01/29/2020
3130A66T9	11127	Federal Home Loan Bank		01/31/2018	3,000,000.00	2,999,345.88	2,982,685.53	1.625		2.222	254	09/11/2020
313383HU8	11128	Federal Home Loan Bank		04/10/2018	3,000,000.00	3,000,841.95	2,990,834.50	1.750		2.380	163	06/12/2020
3130ADYY2	11129	Federal Home Loan Bank		04/13/2018	3,000,000.00	3,010,682.22	3,000,000.00	2.400		2.401	196	07/15/2020
313383QR5	11133	Federal Home Loan Bank		12/18/2018	2,000,000.00	2,107,271.34	2,027,092.74	3.250		2.835	1,255	06/09/2023
3130AEYY0	11134	Federal Home Loan Bank		12/18/2018	2,000,000.00	2,065,338.04	2,007,826.41	2.950		2.812	916	07/05/2022
313383WD9	11135	Federal Home Loan Bank		01/24/2019	2,000,000.00	2,079,965.94	2,025,249.66	3.125		2.680	982	09/09/2022
313383YJ4	11136	Federal Home Loan Bank		01/24/2019	2,000,000.00	2,121,817.60	2,049,650.58	3.375		2.710	1,346	09/08/2023
3130AFRW9	11143	Federal Home Loan Bank		02/22/2019	2,000,000.00	2,077,974.50	2,010,423.62	2.700		2.561	1,335	08/28/2023
3130A5P45	11151	Federal Home Loan Bank		03/19/2019	2,000,000.00	2,038,949.36	1,996,852.71	2.375		2.440	891	06/10/2022
3130AB3H7	11152	Federal Home Loan Bank		04/22/2019	2,000,000.00	2,058,847.24	1,993,984.97	2.375		2.446	1,528	03/08/2024
3134G44U9	10997	Federal Home Loan Mtg Corp		01/22/2016	1,000,000.00	999,454.77	1,000,144.09	1.500		1.480	233	08/21/2020
3134G9QA8	11045	Federal Home Loan Mtg Corp		06/30/2016	3,000,000.00	2,992,699.32	3,000,000.00	1.800		1.800	546	06/30/2021
3134G3D64	11058	Federal Home Loan Mtg Corp		10/07/2016	1,500,000.00	1,499,354.84	1,504,906.87	1.550		1.214	233	08/21/2020
3137EAEC9	11062	Federal Home Loan Mtg Corp		10/19/2016	3,000,000.00	2,977,869.15	2,986,274.71	1.125		1.362	589	08/12/2021
3137EAEC9	11067	Federal Home Loan Mtg Corp		11/15/2016	3,000,000.00	2,977,869.15	2,966,868.61	1.125		1.702	589	08/12/2021

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Federal Agency Coupon Securities												
3134GAZF4	11069	Federal Home Loan Mtg Corp		11/25/2016	2,000,000.00	1,998,839.76	2,000,000.00	1.750		1.750	421	02/25/2021
3134GSW35	11142	Federal Home Loan Mtg Corp		02/14/2019	2,000,000.00	2,002,035.94	2,000,000.00	3.030		3.030	1,505	02/14/2024
3134GS3U7	11148	Federal Home Loan Mtg Corp		02/28/2019	1,500,000.00	1,501,863.62	1,500,000.00	2.710		2.710	1,427	11/28/2023
3134GS3U7	11149	Federal Home Loan Mtg Corp		02/28/2019	1,250,000.00	1,251,553.01	1,250,000.00	2.710		2.710	1,427	11/28/2023
3134GUTX8	11194	Federal Home Loan Mtg Corp		11/27/2019	4,100,000.00	4,087,224.77	4,100,000.00	1.800		1.800	1,335	08/28/2023
3134GUH29	11200	Federal Home Loan Mtg Corp		12/30/2019	1,500,000.00	1,500,290.99	1,500,000.00	1.850		1.850	1,457	12/28/2023
3135G0A78	10902	Federal National Mtg Assn		03/12/2015	2,000,000.00	2,000,054.10	1,999,415.23	1.625		1.686	20	01/21/2020
3136G2S57	10945	Federal National Mtg Assn		11/25/2015	2,000,000.00	2,000,201.36	2,000,000.00	1.700	AAA	1.700	329	11/25/2020
3135G0F73	10970	Federal National Mtg Assn		11/30/2015	2,000,000.00	1,999,303.58	1,992,965.60	1.500		1.870	334	11/30/2020
3135G0D75	10979	Federal National Mtg Assn		12/15/2015	2,000,000.00	1,998,594.22	1,998,177.87	1.500		1.690	173	06/22/2020
3136G3KW4	11026	Federal National Mtg Assn		04/27/2016	2,100,000.00	2,099,111.68	2,100,000.00	1.450		1.450	117	04/27/2020
3135G0K69	11032	Federal National Mtg Assn		05/23/2016	5,000,000.00	4,976,425.85	4,983,425.97	1.250		1.480	491	05/06/2021
3135G0N82	11048	Federal National Mtg Assn		09/07/2016	3,000,000.00	2,984,149.50	2,999,878.65	1.250		1.252	594	08/17/2021
3136G35Q4	11051	Federal National Mtg Assn		09/15/2016	4,000,000.00	3,990,599.88	4,000,000.00	1.550		1.550	623	09/15/2021
3136G35Y7	11053	Federal National Mtg Assn		09/28/2016	5,000,000.00	4,987,291.40	5,000,000.00	1.550		1.550	636	09/28/2021
3136G4AH6	11055	Federal National Mtg Assn		09/30/2016	5,000,000.00	4,993,170.30	5,000,000.00	1.625		1.625	638	09/30/2021
3136G4AB9	11056	Federal National Mtg Assn		09/30/2016	3,000,000.00	2,994,279.99	3,000,000.00	1.500		1.500	364	12/30/2020
3136G4FW8	11063	Federal National Mtg Assn		11/07/2016	3,000,000.00	2,996,593.89	3,000,000.00	1.300		1.300	127	05/07/2020
3135G0N82	11065	Federal National Mtg Assn		11/10/2016	3,000,000.00	2,984,149.50	2,981,562.63	1.250		1.570	594	08/17/2021
3135G0Q89	11066	Federal National Mtg Assn		11/15/2016	3,000,000.00	2,988,604.32	2,980,108.88	1.375		1.722	645	10/07/2021
3135G0D75	11095	Federal National Mtg Assn		01/10/2017	3,000,000.00	2,997,891.33	2,998,252.17	1.500		1.620	173	06/22/2020
3135G0T60	11114	Federal National Mtg Assn		12/28/2017	3,000,000.00	2,997,203.46	2,985,734.03	1.500		1.990	211	07/30/2020
3135G0T94	11122	Federal National Mtg Assn		01/23/2018	5,000,000.00	5,112,898.45	4,980,391.43	2.375		2.495	1,114	01/19/2023
3135G0T60	11126	Federal National Mtg Assn		01/31/2018	3,000,000.00	2,997,203.46	2,980,376.40	1.500		2.176	211	07/30/2020
4581X0DH8	11204	Inter-American Devel BK		12/12/2019	3,000,000.00	3,011,004.71	3,009,762.50	1.875		1.677	569	07/23/2021
45950VLK0	11121	INTL FINANCE CORP		01/22/2018	3,000,000.00	3,002,400.12	3,000,000.00	2.000		2.000	1,110	01/15/2023
		Subtotal and Average	**209,085,674.67**		**209,804,000.00**	**210,317,065.34**	**209,626,321.31**			**1.825**	**577**	
Treasury Coupon Securities												
912828XE5	10956	U.S. Treasury		11/17/2015	2,000,000.00	1,998,896.00	1,999,421.29	1.500		1.560	151	05/31/2020
912828VF4	10977	U.S. Treasury		12/11/2015	2,000,000.00	1,997,656.00	1,997,758.73	1.375		1.608	151	05/31/2020
912828L32	10978	U.S. Treasury		12/11/2015	2,000,000.00	1,996,640.00	1,995,624.13	1.375		1.603	243	08/31/2020
912828S27	11082	U.S. Treasury		01/10/2017	3,000,000.00	2,979,024.00	2,968,734.78	1.125		1.853	546	06/30/2021
912828J84	11083	U.S. Treasury		01/10/2017	3,000,000.00	2,998,008.00	2,997,428.75	1.375		1.551	90	03/31/2020
912828S92	11191	U.S. Treasury		11/26/2019	2,000,000.00	1,981,220.30	1,983,328.80	1.250		1.597	1,307	07/31/2023
912828S76	11192	U.S. Treasury		11/26/2019	2,000,000.00	1,992,292.67	1,991,277.17	1.125		1.608	577	07/31/2021

Humboldt Co. Treasurer's Pool
Portfolio Management
Portfolio Details - Investments
December 31, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury Coupon Securities												
9128287C8	11193	U.S. Treasury		11/26/2019	2,000,000.00	2,020,478.57	2,020,400.82	1.750		1.601	926	07/15/2022
912828S35	11201	U.S. Treasury		12/20/2019	4,000,000.00	3,965,156.00	3,959,721.95	1.375		1.672	1,276	06/30/2023
9128287C8	11202	U.S. Treasury		12/20/2019	4,000,000.00	4,045,522.35	4,040,991.85	1.750		1.641	926	07/15/2022
		Subtotal and Average	**21,049,898.81**		**26,000,000.00**	**25,974,893.89**	**25,954,688.27**			**1.639**	**670**	
Municipal Bonds												
13063DDG0	11137	State of California		01/29/2019	2,000,000.00	2,020,720.00	1,954,077.53	2.250		2.865	1,369	10/01/2023
13032UVB1	11181	State of California		11/25/2019	1,030,000.00	1,024,314.40	1,030,000.00	2.020		2.020	1,613	06/01/2024
13032UVB1	11182	State of California		11/25/2019	2,080,000.00	2,068,518.40	2,080,000.00	2.020		2.020	1,613	06/01/2024
13032UVA3	11183	State of California		11/25/2019	2,990,000.00	2,983,302.40	2,990,000.00	1.970		1.970	1,247	06/01/2023
13032UUZ9	11184	State of California		11/25/2019	500,000.00	499,770.00	500,000.00	1.893		1.893	882	06/01/2022
13032UUY2	11185	State of California		11/25/2019	1,000,000.00	999,700.00	1,000,000.00	1.896		1.896	517	06/01/2021
212263AR8	11120	CONTRA COSTA RDEV-B		01/11/2018	1,000,000.00	1,006,565.56	1,000,613.69	2.000		2.390	578	08/01/2021
		Subtotal and Average	**10,554,691.22**		**10,600,000.00**	**10,602,890.76**	**10,554,691.22**			**2.179**	**1,228**	
		Total and Average	**347,924,203.42**		**373,450,532.14**	**374,188,335.82**	**373,507,254.70**			**1.920**	**483**	