

PRELIMINARY OFFICIAL STATEMENT DATED MAY 7, 2020

NEW ISSUE -- FULL BOOK-ENTRY

RATING: Moody's: "A1"
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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$25,000,000*
UKIAH UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
Election of 2020, Series A

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The captioned bonds (the "Bonds") are being issued by the Ukiah Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on April 16, 2020 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the District held on March 3, 2020, (the "Authorization") which authorized the issuance of \$75,000,000 principal amount of general obligation bonds to finance school facilities, property and equipment of the District to the extent authorized under the Authorization, as described herein. The Bonds are the first series of bonds to be issued under the Authorization. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue; Financing Plan."

Security. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of Mendocino County has the power and is obligated to annually levy *ad valorem* taxes 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) for the payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS."

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

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

Payments. The Bonds are dated the date of delivery and are being issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2020. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, San Francisco, California, as paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS."

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds, and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

MATURITY SCHEDULE
(see inside front cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation is also serving as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 28, 2020.

RAYMOND JAMES

The date of this Official Statement is _____, 2020.

* Preliminary; subject to change.

\$ _____
UKIAH UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
Election of 2020, Series A

MATURITY SCHEDULE

Base CUSIP[†]: _____

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
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\$ _____ % Term Bond due August 1, 20__; Yield ____%; Price ____; CUSIP[†] ____

[†] CUSIP Copyright 2020, 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.
C Yield to the par call on August 1, 20__.

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.

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, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued 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.

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.

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, or the Securities Exchange Act of 1934, 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, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Bonds.

UKIAH UNIFIED SCHOOL DISTRICT
(Mendocino County, California)

BOARD OF TRUSTEES OF THE DISTRICT

Anne Molgaard, *President*
Megan Van Sant, *Vice President*
Zoey Fernandez, *Clerk*
Beatriz Arkin, *Trustee*
Carolyn Barrett, *Trustee*
José Diaz, *Trustee*
Tyler Nelson, *Trustee*

DISTRICT ADMINISTRATION

Debra Kubin, *Superintendent*
Steve Barekman, *Chief Business Official*

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

UNDERWRITER'S COUNSEL

Kronick, Moskowitz, Tiedemann & Girard, a Professional Corporation
Sacramento, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association
San Francisco, California

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APPENDIX D - Form of Opinion of Bond Counsel

APPENDIX E - Form of Continuing Disclosure Certificate

APPENDIX F - DTC and the Book-Entry System

APPENDIX G - Mendocino County Investment Policy and Investment Report

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\$25,000,000*
UKIAH UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
Election of 2020, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Ukiah Unified School District (the “**District**”) of the Ukiah Unified School District (Mendocino County, California) General Obligation Bonds Election of 2020, Series A, in the aggregate principal amount of \$25,000,000* (the “**Bonds**”).

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 herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District has operated as a unified school district under the laws of the State of California (the “**State**”) since 1965. The District is located in the County of Mendocino (the “**County**”), approximately 120 miles north of San Francisco, and provides public education within a 494-square-mile area that includes the City of Ukiah and portions of the adjoining unincorporated areas.

The District, the largest in the County, currently operates 12 schools, including six elementary schools, two middle schools, one high school, one continuation high school, an adult education program and four preschool programs. The District's estimated enrollment for fiscal year 2019-20 is 5,946. Four charter schools also operate in the District serving grades K-12. None of the activities of the charter schools are presented in the District's audited financial statements. The District operates under the jurisdiction of the Mendocino County Superintendent of Schools.

See “APPENDIX A – General and Financial Information About the District” and “APPENDIX C- General Information about Mendocino County.”

Authority and Purpose of Issue; Financing Plan. The Bonds will be issued pursuant to 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) (the “**Bond Law**”) and pursuant to a resolution adopted by the Board of Trustees of the District on April 16, 2020 (the “**Bond Resolution**”). The Bonds are the first series of bonds issued by the District pursuant to an election held by the District on March 3, 2020 (the “**Bond Election**”) in which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of \$75,000,000 (the “**Authorization**”). The net proceeds of the Bonds will be used to finance school facilities of the District as approved by District voters at the Bond Election. See “THE BONDS – Authority for Issuance” and “– Purpose of Issue; Financing Plan,” and “SOURCES AND USES OF FUNDS” herein.

* Preliminary; subject to change.

Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes levied and collected by the County of Mendocino (the “**County**”). The Board of Supervisors of the County has the power and is obligated to annually levy an *ad valorem* tax for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS” herein.

Form of Bonds. The Bonds are being issued as current interest bonds which will bear current interest, and will mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for the Depository Trust Company, New York, New York (“**DTC**”). Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS – General Description of the Bonds” and “– Book-Entry Only System,” and “APPENDIX F – DTC and the Book-Entry System.”

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

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (“**Bond Counsel**”), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (“**Disclosure Counsel**”). Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds is excluded from 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 State of California personal income taxes. See “TAX MATTERS” and APPENDIX D hereto for the form of Bond Counsel’s opinion to be delivered concurrently with the Bonds.

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

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District from the Superintendent’s Office at 511 South Orchard Street, Ukiah, California 95482, Telephone: (707) 472-5000. 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 the Bond Law and the Bond Resolution. The District received authorization at the Bond Election, by more than the requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount of \$75,000,000. The Bonds are the first series of bonds to be issued by the District pursuant to the Authorization.

Purpose of Issue; Financing Plan

The proceeds of bonds issued pursuant to the Authorization, including the Bonds, will be used to finance projects approved by the District's voters at the Bond Election. The abbreviated summary of the ballot measure is as follows:

"To improve the quality of Ukiah Unified schools; repair or replace leaky roofs; make health and safety improvements; and modernize/construct classrooms, restrooms and school facilities; shall Ukiah Unified School District issue \$75,000,000 of bonds at legal rates, generating on average \$4,000,000 annually as long as bonds are outstanding at a rate of approximately 5 cents per \$100 assessed value, with annual audits, independent citizens' oversight committee, NO money for salaries and no money taken by the State?"

After the Bonds are issued, there will be \$50,000,000* of remaining Authorization.

General Description of the Bonds

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

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

* Preliminary; subject to change.

Paying Agent

U.S. Bank National Association will act as the registrar, transfer agent, and paying agent for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of 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 of any other action covered by such notice.

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

Optional Redemption

The Bonds maturing on 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 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.

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 schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium, together with interest accrued thereon to the redemption date.

\$_____ **Term Bonds Maturing August 1, 20__**

**Redemption Date
(August 1)**

**Sinking Fund
Redemption**

(maturity)

If any such Terms 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 will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Bonds under the Bond Resolution. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for the payment of the Bonds and the administration of its duties under the Bond Resolution as designated therein ("**Office of the Paying Agent**") for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption

Upon the surrender of any Bond redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, 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.

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 will 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 will have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Book-Entry Only System

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

In the event that the securities depository (either DTC or its successor depository) determines not to continue to act as securities depository for the Bonds, or the District determines to terminate the depository as such, then the District will thereupon discontinue the book-entry system with such securities depository. In such event, the securities depository will cooperate with the District and the Paying Agent in the issuance of replacement Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the nominee of the securities depository, to the Paying Agent on or before the date such replacement Bonds are to be issued.

Registration, Transfer and Exchange of Bonds

Registration. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Bond Resolution.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books required to be kept pursuant to 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. The District may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond which has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. The District may charge a reasonable sum for each new Bond issued upon any exchange (except in the cases of any exchange of temporary Bonds for definitive Bonds). No exchange of Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after it has been selected for redemption.

Defeasance

Any or all of the Bonds may be paid by the District in any of the following ways, provided the District also pays or causes to be paid any other sums payable under the Bond Resolution by the District:

- (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.

If the District pays all the Bonds that are outstanding and also pays or causes to be paid all other sums payable under the Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution will cease, terminate, become void and be completely discharged and satisfied, except only as provided and described in the following paragraph.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Bond that is outstanding (whether upon or prior to its maturity date or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or proven satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

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 include money or securities held by the Paying Agent in the funds and accounts established pursuant to 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 has been given as provided the Bond Resolution or provision satisfactory to the Paying Agent has been 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 has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

The Bond Resolution defines the term “**Federal Securities**” to mean United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of principal and interest of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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

Plus: Net Original Issue Premium

Total Sources

Uses of Funds

Deposit to Building Fund

Deposit to 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, bond insurance premium, if any, and the rating agency.

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APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County Treasurer to the credit of the fund created and established in the Bond Resolution and known as the "Ukiah Unified School District Election of 2020, Series A Building Fund," (the "**Building Fund**"), which Building Fund will be accounted for as separate and distinct from all other District and County funds. The appropriate office will maintain separate accounting for the proceeds of the Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund will be expended by the District solely for the financing of projects for which the Bond proceeds are authorized to be expended under the Bond Measure (which includes costs of issuance). All interest and other gain arising from the investment of proceeds of the Bonds shall be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof will be withdrawn from the Building Fund and transferred to the Debt Service Fund for such the Bonds, to be applied to pay the principal of and interest on the Bonds. If excess amounts remain on deposit in the Building Fund after payment in full of the Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Bonds have been authorized or otherwise in accordance with the Bond Law.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE BONDS – Debt Service Funds," the County Treasurer will establish, hold and maintain a debt service fund for the Bonds to be designated the "Ukiah Unified School District Election of 2020, Series A General Obligation Bonds Debt Service Fund" (the "**Debt Service Fund**"), which the County Treasurer will maintain as a separate account distinct from all other funds of the County and the District. The County Treasurer will administer the Debt Service Fund and make disbursements therefrom in the manner set forth in the Bond Resolution. Accrued interest and premium, if any, received by the County Treasurer from the sale of the Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Bonds when due. Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Funds, as well as proceeds of taxes held therein for payment of the Bonds, shall be invested in the County Investment Pool, the Local Agency Investment Fund of the California State Treasurer, any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, and investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Tax Code) in accordance with the investment policy

of the County. See “APPENDIX G - Mendocino County Investment Policy and Investment Report.”

DEBT SERVICE SCHEDULES

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

UKIAH UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule – The Bonds

Period Ending August 1	Principal	Interest	Total 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			
Total			

Combined General Obligation Bonds Debt Service. The following table shows the combined debt service schedule of outstanding general obligation bonds of the District, assuming no optional redemptions. See Appendix B – “District General and Financial Information – Long-Term Debt” for additional information concerning the general obligation bonds described in this paragraph.

**UKIAH UNIFIED SCHOOL DISTRICT
General Obligation Bond
Combined Debt Service Schedule**

Period Ending (August 1)	2001 Bonds	2006 Bonds	2007 Bonds	2015 Refunding Bonds	The Bonds	Total Outstanding Bonds
2020	\$5,500,000.00	-	-	\$1,002,137.50		
2021	5,800,000.00	-	-	1,031,737.50		
2022	-	\$5,350,000.00	-	1,839,337.50		
2023	-	5,350,000.00	-	2,196,537.50		
2024	-	5,600,000.00	-	2,381,600.00		
2025	-	5,875,000.00	-	2,376,600.00		
2026	-	6,150,000.00	-	2,587,800.00		
2027	-	6,450,000.00	-	2,688,300.00		
2028	-	6,750,000.00	\$2,900,000.00	-		
2029	-	7,050,000.00	3,075,000.00	-		
2030	-	7,400,000.00	3,200,000.00	-		
2031	-	-	11,125,000.00	-		
2032	-	-	11,675,000.00	-		
2033	-	-	-	-		
2034	-	-	-	-		
2035	-	-	-	-		
2036	-	-	-	-		
2037	-	-	-	-		
2038	-	-	-	-		
2039	-	-	-	-		
2040	-	-	-	-		
2041	-	-	-	-		
2042	-	-	-	-		
2043	-	-	-	-		
2044	-	-	-	-		
2045	-	-	-	-		
2046	-	-	-	-		
2047	-	-	-	-		
2048	-	-	-	-		
2049	-	-	-	-		
Total	\$11,300,000.00	\$55,975,000.00	\$31,975,000.00	\$16,104,050.00		

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

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

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

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

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

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

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could

cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish 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, at the request of the District, 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 apportionment of said levy. The Debt Service Fund is pledged for the payment of the principal of and interest on the Bonds when and as the same become due, including the principal of any Bonds required to be paid upon the mandatory sinking fund redemption thereof. The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in accordance with the Bond Resolution. Amounts in the Debt Service Fund will be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the Bonds when due. In addition, amounts on deposit in the Debt Service Fund will be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

If, after payment in full of the Bonds and any other general obligation bond indebtedness of the District, any amounts remain on deposit in the Debt Service Fund, the County will transfer such amounts to the general fund of the District, 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.

Disclosure Relating to Coronavirus

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

President Trump’s declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multibillion-dollar Coronavirus relief package was signed into law by President Trump on March 18, 2020 providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In an effort to calm the markets, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds. Further, on March 27, 2020, the United States Congress passed a \$2.2 trillion relief package responding to the Coronavirus emergency, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), which was signed into law by President Trump. The CARES Act includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500

billion fund to assist distressed large businesses, and approximately \$150 billion for state and local stimulus funds. On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, purchasing up to \$600 billion in loans through the Main Street Lending Program and offering up to \$500 billion in lending to states and municipalities. On April 24, 2020, President Trump signed into law an additional \$484 billion spending package. The spending package will provide \$321 billion for the Paycheck Protection Program, the small business loan program created by the CARES Act, and provide funding for hospitals and Coronavirus testing.

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

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

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

Suspension of Classroom Instruction. Governor Newsom's shelter in place orders have suspended classroom instruction indefinitely throughout California schools. On April 1, 2020, Governor Newsom stated that schools statewide should not reopen again for the remainder of the school year although distance learning may continue. Executive Order N-26-20 signed by the Governor on March 13, 2020 provides for continued State funding to support distance learning or independent study, subsidized school meals to low-income students, and continued payment for school district employees, among others. Senate Bill 117 was passed on March 17, 2020, addressing attendance and instructional hour requirements, among other items, and effectively holds school districts harmless from funding losses that could result from these issues under existing formulas. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally." Federal funding to school districts may be available under the CARES Act as a result of the Coronavirus emergency.

The District cannot predict the impacts that the Coronavirus emergency might have on the District's finances or operations or the credit ratings on its debt obligations.

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Waiver of Penalties on Delinquent Property Taxes due to Coronavirus. On May 6, 2020, Governor Newsom signed Executive Order N-61-20, which waives the 10% penalty for property taxes paid after April 10 for some homeowners and small businesses until May 2021, provided that property owners demonstrate that they have suffered economic hardship due to the Coronavirus emergency.

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 of the State based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

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

UKIAH UNIFIED SCHOOL DISTRICT Assessed Valuation Fiscal Years 2008-09 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2008-09	\$3,449,948,328	\$714,529	\$143,941,615	\$3,594,604,472	--
2009-10	3,553,591,577	714,529	167,283,942	3,721,590,048	3.5%
2010-11	3,493,260,790	714,529	174,952,774	3,668,928,093	(1.4)
2011-12	3,483,551,655	714,529	180,497,959	3,664,764,143	(0.1)
2012-13	3,457,956,220	307,577	178,524,691	3,636,788,488	(0.8)
2013-14	3,514,507,369	307,577	169,163,722	3,683,978,668	1.3
2014-15	3,617,965,751	307,577	174,577,028	3,792,850,356	3.0
2015-16	3,745,302,553	307,577	165,868,910	3,911,479,040	3.1
2016-17	3,892,339,374	304,003	171,221,792	4,063,865,169	3.9
2017-18	4,065,417,115	304,003	167,714,108	4,233,435,226	4.2
2018-19	4,195,848,778	304,003	178,799,325	4,374,799,325	3.3
2019-20	4,368,212,568	322,100	181,452,835	4,549,987,503	4.0

Source: California Municipal Statistics, Inc.

As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation may 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.

Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, including Mendocino County, and related flooding and mudslides.

Seismic activity is also a risk in the region where the District is located. Ukiah is located adjacent to the Maacama fault zone and is approximately 30 miles east of the San Andreas fault zone and approximately 30 miles west of the Bartlett Springs fault zone. Although recent California wildfires have not occurred within District boundaries, the District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State. See below under the heading “– Reassessments and Appeals of Assessed Value.”

Recent Financial Developments. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and California has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The District cannot predict the extent or duration of the outbreak or what impact it may have on the District's financial condition or operations of the District, or the assessed values of property within the District. The continued spread of the outbreak could have a material adverse effect on the national, State and local economy.

Split Roll Initiative. An initiative measure (the “**Split Roll Initiative**”) to amend Article XIII A has qualified for the State’s November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor’s office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would continue to be subject to property taxes based on purchase price, and exempts from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the District is unable to predict how it would affect the level of commercial building activity within the District and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the District, or what other impacts the Split Roll Initiative might have on the local economy or the District’s financial condition.

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Assessed Valuation by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2019-20.

**UKIAH UNIFIED SCHOOL DISTRICT
Assessed Valuations By Jurisdiction⁽¹⁾
Fiscal Year 2019-20**

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Ukiah	\$1,568,008,820	34.46%	\$1,568,008,820	100.00%
Unincorporated Mendocino County	2,981,978,683	65.54	\$9,399,403,589	31.73%
Total District	\$4,549,987,503	100.00%		
Mendocino County	\$4,549,987,503	100.00%	\$12,207,760,459	37.27%

Source: California Municipal Statistics, Inc.

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

**UKIAH UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20**

	<u>2019-20 Assessed Valuation (1)</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Rural/Timber	\$ 636,772,227	14.58%	3,154	19.80%
Commercial	593,008,557	13.58	769	4.83
Vacant Commercial	43,240,825	0.99	115	0.72
Industrial	193,864,758	4.44	172	1.08
Vacant Industrial	30,757,256	0.70	100	0.63
Government/Social/Institutional	22,554,017	0.52	94	0.59
Miscellaneous	1,309,213	0.03	460	2.89
Subtotal Non-Residential	\$1,521,506,853	34.83%	4,864	30.54%
Residential:				
Single Family Residence	\$2,379,180,171	54.47%	8,816	55.36%
Mobile Home	126,081,770	2.89	927	5.82
Mobile Home Park	36,696,190	0.84	33	0.21
2+ Residential Units/Apartments	233,059,133	5.34	475	2.98
Vacant Residential	71,688,451	1.64	811	5.09
Subtotal Residential	\$2,846,705,715	65.17%	11,062	69.46%
Total	\$4,368,212,568	100.00%	15,926	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. Within the residential segment of land uses, the vast majority of residential units are single-family homes. The following table shows a breakdown of assessed valuation of single-family homes on a per parcel basis for fiscal year 2019-20.

UKIAH UNIFIED 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	8,816	\$2,379,180,171	\$269,871	\$246,966

2019-20 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	219	2.484%	2.484%	\$ 2,931,734	0.123%	0.123%
\$25,000 - \$49,999	394	4.469	6.953	15,348,966	0.645	0.768
\$50,000 - \$74,999	481	5.456	12.409	29,707,764	1.249	2.017
\$75,000 - \$99,999	435	4.934	17.343	38,138,825	1.603	3.620
\$100,000 - \$124,999	482	5.467	22.811	54,336,804	2.284	5.904
\$125,000 - \$149,999	466	5.286	28.097	64,025,188	2.691	8.595
\$150,000 - \$174,999	532	6.034	34.131	86,521,547	3.637	12.232
\$175,000 - \$199,999	527	5.978	40.109	98,699,055	4.148	16.380
\$200,000 - \$224,999	447	5.070	45.179	94,699,587	3.980	20.360
\$225,000 - \$249,999	481	5.456	50.635	114,152,416	4.798	25.158
\$250,000 - \$274,999	461	5.229	55.864	120,653,263	5.071	30.230
\$275,000 - \$299,999	522	5.921	61.785	150,321,148	6.318	36.548
\$300,000 - \$324,999	456	5.172	66.958	142,274,155	5.980	42.528
\$325,000 - \$349,999	411	4.662	71.620	138,321,367	5.814	48.342
\$350,000 - \$374,999	417	4.730	76.350	151,178,349	6.354	54.696
\$375,000 - \$399,999	367	4.163	80.513	141,984,348	5.968	60.664
\$400,000 - \$424,999	277	3.142	83.655	114,044,522	4.793	65.457
\$425,000 - \$449,999	254	2.881	86.536	111,019,207	4.666	70.123
\$450,000 - \$474,999	182	2.064	88.600	84,120,796	3.536	73.659
\$475,000 - \$499,999	163	1.849	90.449	79,413,169	3.338	76.997
\$500,000 and greater	842	9.551	100.000	547,287,961	23.003	100.000
	8,816	100.000%		\$2,379,180,171	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases,

the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

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

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

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

Teeter Plan; Property Tax Collections

The following table shows secured tax charges and delinquencies for secured property in the District with respect to the District's levy for debt service on outstanding general obligation bonds.

UKIAH UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquencies Fiscal Years 2009-10 through 2018-19

<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2009-10	\$34,550,590	\$1,166,459	3.38%
2010-11	39,980,478	1,258,783	3.15
2011-12	40,275,075	1,024,003	2.54
2012-13	40,308,240	964,400	2.39
2013-14	41,309,910	979,9489	2.37
2014-15	42,346,074	835,763	1.97
2015-16	44,295,596	1,158,505	2.62
2016-17	45,393,572	1,046,785	2.31
2017-18	47,651,534	1,104,437	2.32
2018-19	49,379,668	1,036,827	2.10

*(1) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.*

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 secured property taxes due to local agencies in the fiscal year such taxes are due. Under 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 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 on delinquent payments or in the interest which accrues on delinquent payments.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes on the secured roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

Typical Tax Rates

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

UKIAH UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 3-001/154-028) ⁽¹⁾⁽²⁾
Fiscal Years 2015-16 through 2019-20

	<u>FY</u> <u>2015-16</u>	<u>FY</u> <u>2016-17</u>	<u>FY</u> <u>2017-18</u>	<u>FY</u> <u>2018-19</u>	<u>FY</u> <u>2019-20</u>
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Mendocino-Lake Community College District	.0240	.0220	.0210	.0210	.0220
Ukiah Unified School District	.1310	.1250	.1380	.1340	.1390
Total Tax Rate	\$1.1550	\$1.1470	\$1.1590	\$1.1550	\$1.1610

(1) 2019-20 assessed valuation of TRA 3-001 is \$412,689,279, which is 9.07% of the District's total assessed valuation.

(2) 2019-20 assessed valuation of TRA 154-028 is \$469,430,530, which is 10.32% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

Major Taxpayers

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

UKIAH UNIFIED SCHOOL DISTRICT Largest Fiscal Year 2019-20 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Mendocino Forest Products Company LLC	Industrial	\$71,343,300	1.63%
2.	VCT USA Inc.	Winery	56,556,484	1.29
3.	Waterfowl Wine Company	Vineyards	33,611,437	0.77
4.	Vintage Wine Estates Inc.	Vineyards	25,804,506	0.59
5.	Beckstoffer Vineyards	Vineyards	24,661,095	0.56
6.	Costco Wholesale Corporation	Commercial	23,448,280	0.54
7.	Pear Tree Retail I LLC	Shopping Center	19,194,837	0.44
8.	Charles & Kerri Vau, Trustee	Vineyards	17,952,311	0.41
9.	Ukiah LLC	Shopping Center	16,024,120	0.37
10.	Pear Orchard Associates	Commercial	14,343,449	0.33
11.	Savings Bank of Mendocino County	Bank	13,490,914	0.31
12.	Lynette Carroll Rose, Trustee	Shopping Center	13,462,152	0.31
13.	Dennis J. & Carol A. Thurston, Trustees	Commercial	13,326,694	0.31
14.	Redwood Empire Lodging LP	Hotel	10,698,968	0.24
15.	Wal Mart Real Estate Business Trust	Commercial	10,661,150	0.24
16.	Skycrest Properties LP	Commercial	10,513,838	0.24
17.	Redwood Business Park of Ukiah	Commercial	10,251,219	0.23
18.	Motels Mission Serra Inc	Office Building	9,945,000	0.23
19.	Max P. & Joan M. Schlienger, Trustees	Industrial	9,439,652	0.22
20.	Safeway Inc.	Commercial	9,318,992	0.21
			<u>\$414,048,398</u>	<u>9.48%</u>

(1) Fiscal year 2019-20 local secured assessed valuation: \$4,368,212,568.
Source: California Municipal Statistics, Inc.

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Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. dated as of May 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

UKIAH UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of May 1, 2020

2019-20 Assessed Valuation: \$4,549,987,503

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/20</u>	
Mendocino Lake Community College District	39.968%	\$24,962,588	
Ukiah Unified School District	100.	45,742,356	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$70,704,944	
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Mendocino County Certificates of Participation	37.271%	\$ 6,384,522	
Mendocino County Pension Obligation Bonds	37.271	16,807,357	
Ukiah Unified School District General Fund Obligations	100.	6,862,769	
City of Ukiah General Fund Obligations	100.	3,837,218	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$33,891,866	
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	100. %	\$5,495,771	
 COMBINED TOTAL DEBT		\$110,092,581	(2)

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$45,742,356)	1.01%	
Total Direct and Overlapping Tax and Assessment Debt		1.55%
Combined Direct Debt (\$52,605,125)	1.16%	
Combined Total Debt.....	2.42%	

Ratios to Redevelopment Successor Agency Incremental Valuation (\$712,900,382):

Total Overlapping Tax Increment Debt.....	0.77%
---	-------

(1) Excludes Bonds to be issued.

(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 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. 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.

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 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.

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CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District’s fiscal year (which currently is June 30), commencing March 31, 2021 with the report for the 2019-20 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board (the “**MSRB**”). The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in “APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has prior undertakings pursuant to the Rule. In the previous five years, with respect to the annual report due on March 1, 2017, the District timely filed the annual report, but the required secured tax charges and delinquency information was not filed until March 21, 2017, 21 days after the due date.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Bonds in a complete and timely manner, the District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent with respect to its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with 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. The County has not reviewed nor is it responsible for the content of the Official Statement.

RATING

Moody’s Investors Service (“**Moody’s**”) has assigned its municipal bond rating of “A1” to the Bonds. Such rating reflects only the view of Moody’s and an explanation of the significance of such rating may be obtained only from Moody’s. The District has provided certain additional information and materials to Moody’s (some of which does not appear in this Official Statement). There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by Moody’s, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the “**Underwriter**”), pursuant to a bond purchase agreement for the Bonds (the “**Bond Purchase Agreement**”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, representing the principal amount of the Bonds, plus net original issue premium of \$_____ and less an Underwriter’s discount of \$_____.

The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter’s obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

MISCELLANEOUS

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.

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 sell the Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

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

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 are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in San Francisco, California.

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

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

UKIAH UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances 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 "THE BONDS - Security" herein.

GENERAL DISTRICT INFORMATION

The District

The District has operated as a unified school district under the laws of the State of California (the "**State**") since 1965. The District is located in the County of Mendocino (the "**County**"), approximately 120 miles north of San Francisco, and provides public education within a 494-square-mile area that includes the City of Ukiah and portions of the adjoining unincorporated areas.

The District, the largest in the County, currently operates 12 schools, including six elementary schools, two middle schools, one high school, one continuation high school, an adult education program and four preschool programs. The District's estimated enrollment for fiscal year 2019-20 is 5,946. Four charter schools also operate in the District serving grades K-12. None of the activities of the charter schools are presented in the District's audited financial statements. The District operates under the jurisdiction of the Mendocino County Superintendent of Schools.

Administration

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

UKIAH UNIFIED SCHOOL DISTRICT Board of Trustees

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Anne Molgaard	President	December 2020
Megan Van Sant	Vice President	December 2020
Zoey Fernandez	Clerk	December 2020
Beatriz Arkin	Trustee	December 2022
Carolyn Barrett	Trustee	December 2022
José Diaz	Trustee	December 2020
Tyler Nelson	Trustee	December 2022

The day-to-day operations are managed by a board-appointed Superintendent. Debra Kubin serves as Superintendent of the District and Steve Barekman serves as Chief Business Official.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last eleven fiscal years, with projected figures for fiscal year 2019-20.

**UKIAH UNIFIED SCHOOL DISTRICT
Annual Enrollment Grades K through 12
Fiscal Years 2009-10 through 2019-20 (Projected)**

<u>School Year</u>	<u>Enrollment</u> ⁽¹⁾	<u>Percent Change</u>
2009-10	6,232	--
2010-11	6,214	(0.3)%
2011-12	6,237	0.4
2012-13	6,163	(1.2)
2013-14	6,366	3.3
2014-15	6,349	(0.3)
2015-16	6,511	2.6
2016-17	6,579	1.0
2017-18	6,613	0.5
2018-19	6,606	(0.1)
2019-20 ⁽²⁾	5,946	N/A

(1) CBEDs enrollment includes charter school enrollment.

(2) 2nd Interim projection; does not include charter school enrollment.

Source: *California Department of Education for 2007-08 through 2018-19; the District thereafter.*

Employee Relations

For fiscal year 2019-20 the District employs 344.0 full-time equivalent (“FTE”) certificated employees and 355.4 FTE classified employees. Additionally, the District employs 75.5 FTE management/supervisor/confidential employees. There are two formal bargaining units operating in the District which are described in the table below.

**UKIAH UNIFIED SCHOOL DISTRICT
Labor Organizations**

<u>Labor Organization</u>	<u>Contract Expiration Date</u>
Ukiah Teachers Association*	June 30, 2020
California School Employees Association	June 30, 2022

*Negotiated annually.

Source: *Ukiah Unified School 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. Basic Aid Districts are now known as "Community Supported Districts." The District is not a Community Supported District.

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts have had 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 (3.26%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	\$7,459	\$243	\$801	\$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,034	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 fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

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

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

Financial Statements

General. The District's Audited Financial Statements for the fiscal year ending fiscal year 2018-19 were prepared by Nigro & Nigro PC, a Professional Accountancy Corporation, Murrietta, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2019 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for excerpts from the 2018-19 Audited Financial Statements. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

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

UKIAH UNIFIED SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2014-15 through 2018-19 (audited)

	<u>Audited 2014-15</u>	<u>Audited 2015-16</u>	<u>Audited 2016-17</u>	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>
<u>Revenues:</u>					
LCFF Sources:	\$43,155,179	\$50,234,727	\$53,706,040	\$55,126,307	\$59,578,131
Federal Revenues	4,018,006	5,230,871	4,895,330	4,698,484	5,066,124
State Revenues	4,205,438	7,238,036	5,937,177	7,163,289	9,765,282
Local Revenues	5,803,561	5,677,105	6,066,313	6,096,971	6,133,334
Total Revenues	57,182,184	68,380,739	70,604,860	73,085,051	80,542,871
<u>Expenditures:</u>					
Instruction	36,790,476	40,710,650	43,029,343	44,669,807	49,649,114
Supervision of Instruction	1,697,068	2,114,652	2,452,845	2,540,972	2,520,448
Instructional library, media, technology	983,589	1,208,100	1,271,213	1,258,789	1,381,693
School site administration	3,890,821	4,542,356	4,434,558	4,398,374	4,971,508
Home-to-school transportation	1,512,201	2,349,202	1,957,051	1,746,909	1,890,336
Food services	439	19,755	112,670	12,411	87,098
All other pupil services	2,473,452	3,165,693	3,258,590	3,819,140	4,093,825
Ancillary services	322,677	386,027	505,006	493,328	470,922
Enterprise activities	25	11	62	88	1,339
Data processing	523,587	477,710	543,346	553,776	569,955
All other general administration	3,430,864	3,751,057	4,005,921	3,594,701	4,019,017
Plant services	5,760,513	6,214,157	6,411,349	6,836,886	7,064,057
Transfers of indirect costs	(200,648)	(180,718)	(216,331)	(241,957)	(259,178)
Intergovernmental transfers	73,509	81,890	127,382	108,578	122,767
Capital outlay	169,782	785,778	77,667	2,368,733	2,170,819
Debt service: principal	42,924	0	0	0	0
Debt service: interest	3,504	0	0	0	0
Total Expenditures	57,474,783	65,626,320	67,970,672	72,160,535	78,753,720
Excess (Deficiency) of Revenues Over (Under) Expenditures	(292,599)	2,754,419	2,634,188	924,516	1,789,151
<u>Other Financing Sources (Uses)</u>					
Operating transfers in	196	0	0	0	0
Operating transfers out	(98,656)	(126,381)	(136,055)	(200,595)	(147,344)
Other sources					
Total Other Financing Sources (Uses)	(98,460)	(126,381)	(136,055)	(200,595)	(147,344)
Net change in fund balance	(391,059)	2,628,038	2,498,133	723,921	1,641,807
Fund Balances July 1	7,476,539	7,085,480	9,713,518	12,211,651	12,935,572
Fund Balances June 30	\$7,085,480	\$9,713,518	\$12,211,651	\$12,935,572	\$14,577,379

Source: Ukiah Unified School District Audit Reports.

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than November 8, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budgets have been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education 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 subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

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

District's Budget Approval/Disapproval and Certification History. During the past five fiscal years, the County Office of Education has certified each of the District's interim reports as positive.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 511 South Orchard Street, Ukiah, CA 95482; telephone (707) 431-3488. The District may impose charges for copying, mailing and handling.

District's Fiscal Year 2019-20 Budget. The following table shows the income and expense statements for the District for fiscal year 2019-20 (adopted budget and 2nd interim report).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ⁽¹⁾
Fiscal Year 2019-20 (Adopted Budget and 2nd Interim Report)
Ukiah Unified School District

	Adopted Budget Fiscal Year 2019-20	2nd Interim Report Fiscal Year 2019-20
<u>Revenues</u>		
LCFF	\$62,013,307	\$62,443,953
Federal Revenues	5,119,163	5,657,115
Other State Revenues	5,683,743	6,100,522
Other Local Revenues	6,193,202	5,753,458
Total Revenues	79,009,415	79,955,048
<u>Expenditures</u>		
Certificated Salaries	30,270,377	31,204,298
Classified Salaries	14,677,225	14,738,236
Employee Benefits	20,187,990	20,434,191
Books and Supplies	7,511,390	8,251,873
Contract Services & Operating Exp.	7,513,160	7,880,000
Capital Outlay	1,262,526	1,695,714
Other Outgo (excluding indirect costs)	0	135,875
Other Outgo – Transfers of Indirect Costs	(245,155)	(244,735)
Total Expenditures	81,177,513	84,095,452
Excess of Revenues Over/(Under) Expenditures	(2,168,098)	(4,140,404)
<u>Other Financing Sources (Uses)</u>		
Operating transfers in	0	543,157
Operating transfers out	(532,180)	(706,454)
Other sources		
Total Other Financing Sources/(Uses)	(532,180)	(163,297)
 Net change in fund balance	 (2,700,278)	 (4,303,701)
 Fund Balance, July 1 ⁽²⁾	 6,365,345	 7,429,811
Fund Balance, June 30	\$3,665,067	\$3,126,110

(1) Totals may not foot due to rounding.

(2) Budget and interim fund balances shown do not include certain funds included in the District's audited financial statements.

Source: Ukiah Unified School District.

Impact of Coronavirus Crisis on District's General Fund. As a result of school closures due to the Coronavirus crisis, the District anticipates some general fund savings in fiscal year 2019-20 from lower utility and fuel costs and reduced substitute teacher costs. However, these savings will be offset by reductions in State funding for certain programs during closure, zero or deficit cost of living adjustments and increased STRS and PERS costs for fiscal year 2020-21. While the District expects to receive FEMA reimbursements and additional federal funding of approximately \$1,452,356 under the CARES Act, it cannot predict the timing of receipt of these funds or the amount of any additional federal funding. The District may consider staffing and program reductions and plan for a reduced school year in fiscal year 2020-21.

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

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 alleviated restrictions on school districts by raising the reserve cap 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 LCFF Funding Trends

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental and concentration funding based on Targeted Student enrollment (unduplicated count) and funding based on an economic recovery target.

Total Trends Under LCFF. The following table sets forth historical LCFF funding for the District for fiscal year 2014-15 through 2019-20 (Budgeted), together with ADA.

AVERAGE DAILY ATTENDANCE AND LCFF FUNDING Ukiah Unified School District Fiscal Years 2014-15 through 2019-20⁽¹⁾

Fiscal Year	ADA⁽¹⁾	Total Funding Trends Under LCFF⁽²⁾
2014-15	5,424	\$43,155,179
2015-16	5,519	50,234,727
2016-17	5,573	53,706,040
2017-18	5,593	55,126,307
2018-19	5,598	59,578,131
2019-20	5,619	62,443,953

(1) P-2 for Fiscal Year 2013-14 through 2018-19; 2nd Interim for Fiscal Year 2019-20.

(2) 2nd Interim Report projection for 2019-20.

Source: Ukiah Unified School District.

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 78.91% in fiscal year 2019-20. Because this percentage is over 55%, the District qualifies for both supplemental funding and concentration funding under LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being the 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, for non-Basic Aid school districts, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in fiscal year 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. Section 42238.03(c) of the Education Code of the State itemizes the local revenues that are subtracted from the base entitlement to determine the amount of the State apportionment of funding. Historically, the more local property taxes a district received, the less State aid it is entitled to.

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

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

Other State Revenues. Other State Revenues consist primarily of apportionments for mandated costs reimbursements, special education master plan, and State lottery apportionments.

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 Ukiah Unified School District

Fiscal Year	Amount
2011-12	\$1,642,899
2012-13	1,761,452
2013-14	1,754,153
2014-15	3,273,336
2015-16	2,810,160
2016-17	3,355,695
2017-18	3,885,557
2018-19	4,525,950
2019-20 ⁽¹⁾	5,186,748

(1) 2nd Interim projection.

Source: Ukiah Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to 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. Contribution rates could increase in the future to mitigate any investment losses to the STRS plan.

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
Ukiah Unified School District

Fiscal Year	Amount
2011-12	\$1,068,910
2012-13	1,186,535
2013-14	1,228,109
2014-15	1,382,275
2015-16	1,684,830
2016-17	2,054,268
2017-18	2,355,868
2018-19	2,898,978
2019-20 ⁽¹⁾	3,451,751

(1) 2nd Interim projection.
Source: Ukiah Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate

(its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next two years according to the following schedule.

**PERS Discount Rate
Fiscal Years 2019-20 through 2020-21**

Fiscal Year	Amount
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, were 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. Contribution rates could increase in the future to mitigate any investment losses to PERS.

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 PEPRAs through collective bargaining.

PERS has predicted that the impact of PEPRAs 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 PEPRAs, 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 PEPRAs, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRAs, 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 12 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 Benefit Obligation

Plan Description. The District administers a single-employer defined benefit healthcare plan (the "**District Plan**") for eligible certificate, classified and management employees of the District. In addition, some qualified certificated employees are participants in the Medicare Premium Payment Program ("**MPPP**"), a cost-sharing defined benefit program administered through STRS.

As of June 30, 2019, the District's net liability for postemployment healthcare benefits consisted of net OPEB liability of \$7,764,999 for the District Plan and \$306,012 for the MPPP.

District Plan. Employees who retire from the District are eligible for benefits as follows:

- Certificated employees are eligible to retire with District paid benefits after attaining age 55 and completing at least 10 years of service with the District. Certificated employees are eligible to retire with District-paid benefits after attaining age 50 and completing at least 30 years of earned service credit. District-paid benefits end at age 65; however, beginning with retirements after July 1, 2012, the benefit period is further limited to one year of benefits for every four completed years of full-time service or equivalent part-time service.
- Classified employees are eligible to retire with District-paid benefits after attaining age 50 and completing at least 10 years of service with the District. District paid benefits end at age 65.
- Management retirees have generally been eligible for benefits similar to those described above for classified and certificated retirees; however, the District does not have a written policy in place regarding management retirees.

Medical, prescription drug, dental and vision insurance are provided to retirees and eligible dependents through the District's self-insured healthcare plans. There is a dollar cap on District-paid retiree health benefits that is fixed in the year of retirement. The cap is now \$598.88 per month for all retirees except retired employees who retired prior to July 1, 2012, who are subject to a cap of \$300 per month.

The cap is reduced for less than FTE service prior to retirement. Retirees who were less than 50% FTE prior to retirement are not eligible for District-paid health benefits. The caps apply to the modified composite rates set periodically by the District, with retirees being charged the balance of the composite rate for the coverage elected.

Membership in the District Plan consists of 36 retirees and beneficiaries currently receiving benefits and 745 active members, as of June 30, 2019.

Changes in the Total OPEB Liability. The following table shows the changes in total OPEB liability for the fiscal year ended June 30, 2019.

Balance at July 1, 2018	<u>\$6,268,595</u>
Changes for the year:	
Service cost	738,800
Interest cost	251,033
Differences in experience	758,683
Changes in assumptions	603,650
Benefit payments	<u>(855,762)</u>
Net changes	<u>1,496,404</u>
Balance at June 30, 2019	<u>\$7,764,999</u>

For actuarial methods and assumptions with respect to the June 30, 2019 actuarial valuation, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2019 – Note 7".

Medicare Premium Payment Program. The MPPP is a cost-sharing multiple-employer OPEB established through STRS. The MPPP pays Medicare Part A premiums and Medicare

Parts A and B late enrollment surcharges for eligible California full-time and part-time public schoolteachers from pre-kindergarten through community college who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

The MPPP is closed to new entrants, as members who retire after July 1, 2012 are not eligible for coverage. For the years ending June 30, 2019, 5,984 retirees participated in the MPPP.

Funding Policy. The MPPP is funded on a pay-as-you-go basis from a portion of monthly employer contributions. Contributions that would otherwise be credited to the STRS defined benefit program (STRP) each month are instead credited to the MPPP to fund monthly program and administrative costs. These contributions are generally made at the same time and in the same amount as benefit payments and expenses coming due. Because amounts credited to the MPPP are deducted from the employers' regular STRP contributions, there are no contribution rates specific to the MPPP.

Net OPEB Liability. As of June 30, 2019, the District reported a net OPEB liability for its proportionate share of the MPPP of \$306,012.

For actuarial methods and assumptions with respect to the actuarial valuation, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2019 – Note 7".

Joint Powers Agreements

The District participates in the following Joint Powers Agreements (JPAs):

Northern California Schools Insurance Group for property and liability insurance coverage and for theft insurance coverage. The District pays a premium commensurate with the level of coverage requested. This is a partial self-insurance program.

Schools Insurance Group Northern Alliance for self-insurance plan and system for workers' compensation claims. Member contribution rates are based on actual historical loss experience statistics.

Schools Excess Liability Fund, an insurance purchasing pool for excess liability. This equity pooling arrangement insures that each participant shares equally in the overall performance of the SELF. Participation in the SELF is limited to districts that can meet the SELF selection criteria.

The relationship between the District and the JPAs is such that none of them are a component unit of the District for financial reporting purposes.

See "APPENDIX A - Audited Financial Statements of the District For Fiscal Year Ending June 30, 2019 - Note 9."

Existing Debt Obligations

General Obligation Bonds. The District has four series of general obligation or refunding general obligation bonds currently outstanding, as summarized in the following table. See also "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the annual debt service requirements of the District's outstanding bonds. Each of these bonds are described in more detail below.

GENERAL OBLIGATION BONDS Ukiah Unified School District

Dated Date	Series	Amount of Original Issue	Outstanding as of March 1, 2020 ⁽¹⁾
06/06/2001	General Obligation Bonds, Election of 1997, Series 2001	\$5,999,084.80	\$3,737,723.00
05/17/2006	General Obligation Bonds, Election of 2005, Series 2006	20,001,645.75	20,001,645.75
12/06/2007	General Obligation Bonds, Election of 2005, Series 2007	22,997,987.25	8,672,987.25
06/25/2015	2015 General Obligation Refunding Bonds	14,280,000.00	13,330,000.00
	Total	\$63,278,718.00	\$45,742,356.00

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

Source: District's Audit; the Financial Advisor.

Pursuant to an authorization received on March 4, 1997 (the "**1997 Authorization**"), on June 6, 2001, the District issued \$5,999,084.80 of General Obligation Bonds, Election of 1997, Series 2001 (the "**2001 Bonds**") as capital appreciation bonds, currently outstanding in the aggregate principal amount of \$3,737,723.00 (excluding accreted interest on the capital appreciation bonds).

Pursuant to an authorization received on November 8, 2005 (the "**2005 Authorization**"), on May 17, 2006, the District issued \$20,001,645.75 General Obligation Bonds, Election of 2005, Series 2006 (the "**2006 Bonds**") as capital appreciation bonds, currently outstanding in the aggregate principal amount of \$20,001,645.75 (excluding accreted interest on the capital appreciation bonds).

Pursuant to the 2005 Authorization, on December 6, 2007, the District issued \$22,997,987.25 General Obligation Bonds, Election of 2005, Series 2007 (the "**2007 Bonds**") as current interest bonds and capital appreciation bonds, currently outstanding in the aggregate principal amount of \$8,672,987.25 (excluding accreted interest on the capital appreciation bonds).

On June 25, 2015, the District issued 2015 General Obligation Refunding Bonds in the aggregate principal \$14,280,000 (the "**2015 Refunding Bonds**"). The 2015 Refunding Bonds refunded \$13,450,000 principal amount of the District's 2007 Bonds (current interest). The 2015 Refunding Bonds are currently outstanding in the aggregate principal amount of \$13,330,000.

See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the debt service due on the above-described general obligation bonds.

Lease Agreement. On July 30, 2019, the District entered into a lease-sublease agreement in the principal amount of \$6,862,769 for the purpose of financing school facility energy efficiency projects.

Investment of District Funds

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

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. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts is funding under the LCFF, which is a combination of State funds and local property taxes (see “DISTRICT FINANCIAL INFORMATION – Education Funding Generally” above). State funds typically make up the majority of a district's LCFF entitlement.

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.

Neither the District, the County, nor the Underwriter are 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/bonds/, 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 "Publications", posts the State's audited financial statements and debt affordability reports. The State's Rule 15c2-12 filings for State bond issues are accessible at buycaliforniabonds.com/state-of-california-ca/i27 under the heading "Documents".

- 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 "The Budget".

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.

Impact of Coronavirus Crisis on State Budgeting. On March 24, 2020, the California Department of Finance sent a letter to the Legislature and government agencies advising them that due to the Coronavirus outbreak, the normal schedule for state budgeting negotiations are on hold and that there should be no expectation of full funding for either new or existing proposals and adjustments. For a further discussion of the challenges related to the Coronavirus crisis, see "– LAO Fiscal Perspective Report (March 18, 2020): COVID-19," below, and "SECURITY FOR THE BONDS - Disclosure Relating to Coronavirus" in the front matter of this Official Statement.

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:

- \$3.15 billion one-time payment on behalf of school districts and community college districts to STRS and PERS pools;
- \$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.

The Department of Finance is projecting tax revenue declines of \$9.7 billion in fiscal year 2019-20 as a result of the Coronavirus crisis. See “– Department of Finance Projects Deficits” below.

2020-21 Proposed State Budget

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

2020-21 Proposed State Budget estimates the Rainy Day Fund will have a fund balance of approximately \$18 billion in fiscal year 2020-21 and \$19.4 billion by 2023-24.

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

Department of Finance Projects Deficits

News outlets are reporting that in a fiscal report to be released on May 7, 2020, the Department of Finance is projecting a \$54.3 billion deficit through the end of fiscal year 2020-21. Losses for K-12 funding are projected at \$18.2 billion over the next 14 months. The bulk of the losses (\$41.2 billion) are attributable to declines in personal income tax, sales tax and corporate taxes, which are down by 25%, \$7.1 billion in additional Medi-Cal and CalWorks costs and \$6 billion in other costs attributable to the Coronavirus response. The State has reserves of approximately \$17.5 billion and received \$9.5 billion in relief under the CARES Act. The State also expects to receive reimbursements from the Federal Emergency Management Agency for Coronavirus expenses.

LAO Fiscal Perspective Report (March 18, 2020): COVID-19

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

Volatility in Financial Markets Indicate Lower Capital Gains-Related Tax Revenue.

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

COVID-19 Response Brings Economic Activity to a Halt. For the broader economy, the LAO stated that the odds of a recession have increased substantially due to the pullback in activity across wide swaths of the economy. The abrupt and nearly across-the-board curtailment of spending that is now underway sets it apart from previous downturns. An optimistic scenario is that the economy would experience a sharp but comparatively short-lived downturn lasting one or two months. Under a more pessimistic scenario, economic activity would remain depressed for longer, compounded by dislocated supply chains and reduced lending caused by elevated risk aversion in credit markets. The type of contraction the state, national, and global economies experience will have implications for revenue collections in the coming years.

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

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 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Series A 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 Obligations to provide State budget information to the District or the owners of the Obligations. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

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

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 187 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

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

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

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

among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

Article XIII B of the California Constitution

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

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

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

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

Unitary Property

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

Articles XIIC and XIID

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 XIIC and XIID (respectively, "**Article XIIC**" and "**Article XIID**"), 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 XIIC 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 XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC 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 XIID. 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 XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID 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 from *ad valorem* taxes 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 XIIB

surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita*

personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 30 and Proposition 55

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 for such period the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head of household filers and 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 \$408,000 but less than \$680,000 for head of household filers and 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 \$680,000 for head of household filers and 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 March 3, 2020 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 the end of 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 1A and Proposition 22

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

approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

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

California Senate Bill 222

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

Split Roll Initiative

An initiative measure (the “**Split Roll Initiative**”) to amend Article XIII A has qualified for the State’s November 2020 ballot. If adopted, the Split Roll Initiative would base property taxes for commercial and industrial properties on market values beginning in tax year 2020-21. Such market values would be reassessed by the applicable county assessor’s office at least once every three years. The Split Roll Initiative includes exceptions for businesses with a total market value of less than \$2 million (adjusted for inflation), which would continue to be subject to property taxes

based on purchase price, and exempts from property tax assessments up to \$500,000 of the value of personal property, or all personal property for businesses with fewer than 50 employees. There can be no assurance that the Split Roll Initiative will be adopted. Moreover, if the Split Roll Initiative is adopted, the District is unable to predict how it would affect the level of commercial building activity within the District and the relationship of the assessed value between land use types (i.e. residential versus commercial) in the District, or what other impacts the Split Roll Initiative might have on the local economy or the District's financial condition.

Future Initiatives

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

APPENDIX B

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

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**UKIAH UNIFIED SCHOOL DISTRICT
MENDOCINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019**



UKIAH UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Ukiah Unified School District
Ukiah, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ukiah Unified School District, as of and for the fiscal 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.

Auditors' 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, 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ukiah Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information 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 supplementary information is presented for purposes of additional analysis and is 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 supplementary information on pages 69 to 72 and the schedule of expenditures of federal awards on page 73 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 68 and 74 has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2020, 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, and 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.



Murrieta, California
February 5, 2020

UKIAH UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

This discussion and analysis of Ukiah Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status declined from last year, as the net position decreased by 4.7% to \$(36.6) million.
- Total governmental revenues were \$89.0 million, \$1.7 million less than expenses.
- The total cost of basic programs was \$90.6 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$72.0 million.
- District average daily attendance (ADA) in grades K-12 increased by 5, or 0.1%.
- Governmental funds increased by \$0.6 million, or 2.7%.
- Reserves for the General Fund increased by \$0.2 million, or 5.9%.

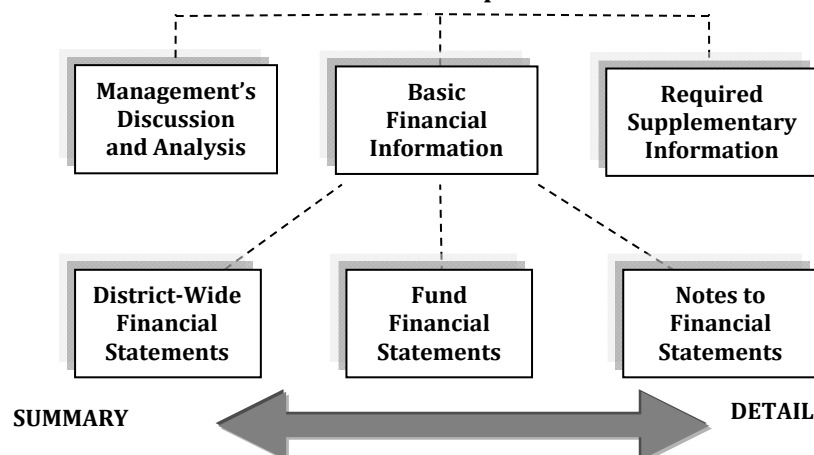
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term 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's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
 - The *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Ukiah Unified School District's Annual Financial Report



UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, & Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- ***Governmental funds*** – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for health, dental, and vision insurance.

UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 4.7% to \$(36.6) million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Assets			
Current assets	\$ 28,630,650	\$ 27,325,580	\$ 1,305,070
Capital assets	86,765,503	85,132,521	1,632,982
Total assets	115,396,153	112,458,101	2,938,052
Deferred outflows of resources	24,326,684	24,064,822	261,862
Liabilities			
Current liabilities	4,626,926	3,463,616	1,163,310
Long-term liabilities	91,846,796	92,093,337	(246,541)
Net pension liability	77,269,973	73,454,280	3,815,693
Total liabilities	173,743,695	169,011,233	4,732,462
Deferred inflows of resources	2,594,091	2,471,557	122,534
Net position			
Net investment in capital assets	38,516,145	34,895,266	3,620,879
Restricted	15,229,066	14,618,982	610,084
Unrestricted	(90,360,160)	(84,474,115)	(5,886,045)
Total net position	\$ (36,614,949)	\$ (34,959,867)	\$ (1,655,082)

Changes in net position, governmental activities. The District's total revenues increased 6.6% to \$89.0 million (See Table A-2). The increase is due primarily to higher revenues from property taxes and federal and state aid.

The total cost of all programs and services increased 7.5% to \$90.6 million. The District's expenses are predominantly related to educating and caring for students, 79.9%. The purely administrative activities of the District accounted for just 5.5% of total costs. A significant contributor to the increase was from instruction related and pupil service costs.

UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2019	2018	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 2,123,338	\$ 2,257,725	\$ (134,387)
Operating grants and contributions	16,462,297	15,466,907	995,390
Capital grants and contributions	9,523	8,202	1,321
General Revenues:			
Property taxes	25,717,217	23,570,305	2,146,912
Federal and state aid not restricted	43,289,697	40,617,114	2,672,583
Other general revenues	1,381,925	1,591,943	(210,018)
Total Revenues	88,983,997	83,512,196	5,471,801
Expenses			
Instruction-related	62,164,872	58,132,805	4,032,067
Pupil services	10,245,368	9,441,986	803,382
Administration	4,978,385	4,283,027	695,358
Plant services	7,854,578	7,484,077	370,501
All other activities	5,395,876	4,995,640	400,236
Total Expenses	90,639,079	84,337,535	6,301,544
Increase (decrease) in net position	(1,655,082)	(825,339)	\$ (829,743)
Total Net Position	\$ (36,614,949)	\$ (34,959,867)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$23.6 million, which is above last year's ending fund balance of \$23.0 million. The primary cause of the increased fund balance is higher LCFF source revenues in excess of expenditures.

Table A-3: The District's Fund Balances

	Fund Balances				
Fund	July 1, 2018	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	\$ 6,405,899	\$ 80,441,264	\$ 78,753,720	\$ (663,622)	\$ 7,429,821
Adult Education Fund	219,116	1,225,017	1,193,249	18,936	269,820
Child Development Fund	35,580	684,611	678,480	-	41,711
Cafeteria Fund	34,862	3,740,617	3,843,356	112,623	44,746
Pupil Transportation Fund	-	285,046	300,831	15,785	-
Special Reserve Fund (Other Than Capital Outlay)	6,529,673	101,607	-	516,278	7,147,558
Building Fund	426,410	7,513	6,032	-	427,891
Capital Facilities Fund	3,183,475	605,031	1,583,613	-	2,204,893
County School Facilities Fund	649,089	9,523	488,334	-	170,278
Bond Interest and Redemption Fund	5,494,490	6,272,203	5,905,493	-	5,861,200
	\$ 22,978,594	\$ 93,372,432	\$ 92,753,108	\$ -	\$ 23,597,918

UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$4.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$2.5 million due to revised operational cost estimates.
- Books and supplies and other services – decreased by \$98,644, to revise operational cost estimates.

The District's final budget results for the General Fund anticipated that revenues would exceed expenditures by about \$1.7 million, which was very close to actual results for the year. Actual revenues were \$43,737 less than anticipated, and expenditures were \$56,082 less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested \$4.6 million in new capital assets, related primarily to modernization projects and the addition of new equipment. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$2.9 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Land	\$ 5,005,503	\$ 5,005,503	\$ -
Improvement of sites	1,043,217	1,128,392	(85,175)
Buildings	70,879,364	68,654,569	2,224,795
Equipment	2,239,389	2,142,203	97,186
Construction in progress	7,598,030	8,201,854	(603,824)
Total	<u>\$ 86,765,503</u>	<u>\$ 85,132,521</u>	<u>\$ 1,632,982</u>

UKIAH UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At June 30, 2019 the District had \$91.8 million in debt other than net pension liabilities, consisting of general obligation bonds, compensated absences, and retiree benefits – a decrease of 0.3% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
General obligation bonds	\$ 83,578,726	\$ 85,316,438	\$ (1,737,712)
Compensated absences	197,059	177,573	19,486
Other postemployment benefits	8,071,011	6,599,326	1,471,685
Total	<u>\$ 91,846,796</u>	<u>\$ 92,093,337</u>	<u>\$ (246,541)</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

UKIAH UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Steve Barekman, Chief Business Official, Ukiah Unified School District, 511 S. Orchard Street, Ukiah, CA 95482.

UKIAH UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2019*

	Total Governmental Activities
ASSETS	
Cash	\$ 24,348,772
Accounts receivable	4,119,763
Inventories	144,468
Prepaid expenses	17,647
Capital assets:	
Non-depreciable assets	12,603,533
Depreciable assets	123,181,760
Less accumulated depreciation	<u>(49,019,790)</u>
Total assets	<u>115,396,153</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	972,773
Deferred outflows related to pensions	22,126,462
Deferred outflows related to OPEB	<u>1,227,449</u>
Total deferred outflows of resources	<u>24,326,684</u>
LIABILITIES	
Cash overdraft	645,226
Accounts payable	3,823,827
Unearned revenue	157,873
Long-term liabilities:	
Portion due or payable within one year	5,792,065
Portion due or payable after one year	86,054,731
Net pension liability	<u>77,269,973</u>
Total liabilities	<u>173,743,695</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,477,899
Deferred inflows related to OPEB	<u>116,192</u>
Total deferred inflows of resources	<u>2,594,091</u>
NET POSITION	
Net investment in capital assets	38,516,145
Restricted for:	
Capital projects	2,375,172
Debt service	5,861,200
Categorical programs	6,374,580
Self-insurance programs	618,114
Unrestricted	<u>(90,360,160)</u>
Total net position	<u>\$ (36,614,949)</u>

UKIAH UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	\$ 52,553,514	\$ 1,479,937	\$ 9,519,700	\$ 9,523	\$ (41,544,354)
Instruction-Related Services:					
Supervision of instruction	2,451,141	17,914	675,393	-	(1,757,834)
Instructional library, media and technology	1,758,135	37,705	76,476	-	(1,643,954)
School site administration	5,402,082	306,550	147,760	-	(4,947,772)
Pupil Support Services:					
Home-to-school transportation	2,101,065	-	64,714	-	(2,036,351)
Food services	3,996,968	84,534	3,496,949	-	(415,485)
All other pupil services	4,147,335	25,460	596,311	-	(3,525,564)
General Administration Services:					
Data processing services	601,214	-	9,965	-	(591,249)
Other general administration	4,377,171	99,525	791,588	-	(3,486,058)
Plant services	7,854,578	71,712	1,070,828	-	(6,712,038)
Ancillary services	457,542	-	3,580	-	(453,962)
Enterprise activities	483,588	-	-	-	(483,588)
Interest on long-term debt	4,300,426	-	-	-	(4,300,426)
Other outgo	154,320	1	9,033	-	(145,286)
Total Governmental Activities	\$ 90,639,079	\$ 2,123,338	\$ 16,462,297	\$ 9,523	(72,043,921)
General Revenues:					
Property taxes					25,717,217
Federal and state aid not restricted to specific purpose					43,289,697
Interest and investment earnings					224,791
Interagency revenues					673,786
Miscellaneous					483,348
Total general revenues					70,388,839
Change in net position					(1,655,082)
Net position, July 1, 2018					(34,959,867)
Net position, June 30, 2019					\$ (36,614,949)

UKIAH UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Pupil Transportation Equipment Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 14,881,077	\$ 241	\$ 5,861,200	\$ 3,007,712	\$ 23,750,230
Accounts receivable	2,888,537	282,974	-	937,715	4,109,226
Due from other funds	879,778	314,785	-	169,555	1,364,118
Inventories	99,722	-	-	44,746	144,468
Prepaid expenditures	17,647	-	-	-	17,647
Total Assets	<u>\$ 18,766,761</u>	<u>\$ 598,000</u>	<u>\$ 5,861,200</u>	<u>\$ 4,159,728</u>	<u>\$ 29,385,689</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash overdraft	\$ -	\$ -	\$ -	\$ 645,226	\$ 645,226
Accounts payable	3,542,976	-	-	68,543	3,611,519
Due to other funds	488,533	598,000	-	286,620	1,373,153
Unearned revenue	157,873	-	-	-	157,873
Total Liabilities	<u>4,189,382</u>	<u>598,000</u>	<u>-</u>	<u>1,000,389</u>	<u>5,787,771</u>
Fund Balances					
Nonspendable	122,669	-	-	44,746	167,415
Restricted	6,112,334	-	5,861,200	3,020,562	14,994,096
Assigned	4,765,037	-	-	94,031	4,859,068
Unassigned	3,577,339	-	-	-	3,577,339
Total Fund Balances	<u>14,577,379</u>	<u>-</u>	<u>5,861,200</u>	<u>3,159,339</u>	<u>23,597,918</u>
Total Liabilities and Fund Balances	<u>\$ 18,766,761</u>	<u>\$ 598,000</u>	<u>\$ 5,861,200</u>	<u>\$ 4,159,728</u>	<u>\$ 29,385,689</u>

UKIAH UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Total fund balances - governmental funds \$ 23,597,918

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

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	135,785,293	
Accumulated depreciation	<u>(49,019,790)</u>	
Net:		86,765,503

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:

972,773

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

(212,308)

In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred inflows of resources related to OPEB are reported.

Deferred outflows of resources from OPEB	1,227,449	
Deferred inflows of resources from OPEB	<u>(116,192)</u>	
Net:		1,111,257

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

Deferred outflows of resources from pensions	22,126,462	
Deferred inflows of resources from pensions	<u>(2,477,899)</u>	
Net:		19,648,563

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

General obligation bonds	83,578,726	
Compensated absences	197,059	
Other Postemployment Benefits	<u>8,071,011</u>	
Total:		(91,846,796)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.

(77,269,973)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

618,114

Total net position - governmental activities

\$ (36,614,949)

UKIAH UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2019

	General Fund	Pupil Transportation Equipment Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 59,578,131	\$ -	\$ -	\$ -	\$ 59,578,131
Federal sources	5,066,124	-	-	3,464,306	8,530,430
Other state sources	9,765,282	-	51,395	463,144	10,279,821
Other local sources	6,133,334	285,046	6,220,808	2,344,862	14,984,050
Total Revenues	80,542,871	285,046	6,272,203	6,272,312	93,372,432
EXPENDITURES					
Current:					
Instruction	49,649,114	-	-	1,337,391	50,986,505
Instruction-Related Services:					
Supervision of instruction	2,520,448	-	-	-	2,520,448
Instructional library, media and technology	1,381,693	-	-	41,603	1,423,296
School site administration	4,971,508	-	-	348,363	5,319,871
Pupil Support Services:					
Home-to-school transportation	1,890,336	300,831	-	-	2,191,167
Food services	87,098	-	-	3,656,409	3,743,507
All other pupil services	4,093,825	-	-	-	4,093,825
Ancillary services	470,922	-	-	-	470,922
Enterprise activities	1,339	-	-	-	1,339
General Administration Services:					
Data processing services	569,955	-	-	-	569,955
Other general administration	4,019,017	-	-	-	4,019,017
Plant services	7,064,057	-	-	81,197	7,145,254
Transfers of indirect costs	(259,178)	-	-	259,178	-
Intergovernmental Transfers	122,767	-	-	31,553	154,320
Capital Outlay	2,170,819	-	-	2,037,370	4,208,189
Debt Service:					
Principal	-	-	1,899,350	-	1,899,350
Interest	-	-	4,006,143	-	4,006,143
Total Expenditures	78,753,720	300,831	5,905,493	7,793,064	92,753,108
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,789,151	(15,785)	366,710	(1,520,752)	619,324
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	15,785	-	131,559	147,344
Interfund transfers out	(147,344)	-	-	-	(147,344)
Total Other Financing Sources and Uses	(147,344)	15,785	-	131,559	-
Net Change in Fund Balances	1,641,807	-	366,710	(1,389,193)	619,324
Fund Balances, July 1, 2018	12,935,572	-	5,494,490	4,548,532	22,978,594
Fund Balances, June 30, 2019	\$ 14,577,379	\$ -	\$ 5,861,200	\$ 3,159,339	\$ 23,597,918

UKIAH UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds **\$ 619,324**

Amounts reported for governmental *activities* in the statement of activities are different because:

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	4,571,131	
Depreciation expense	<u>(2,938,149)</u>	
Net:		1,632,982

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 a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: 1,899,350

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on refunding and are amortized over the life of the liability. The amount amortized from deferred amounts in the current year was: (137,330)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium and discount for the period is: 87,066

In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 4,687

In governmental 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, differences between accrual-basis pension costs and actual employer contributions was: (4,781,574)

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued and paid during the year is: (248,704)

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was: (19,486)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (229,146)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (482,251)

Change in net position - governmental activities **\$ (1,655,082)**

UKIAH UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
June 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 598,542
Accounts receivable	10,537
Due from other funds	<u>9,035</u>
Total assets	618,114
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Restricted	<u><u>\$ 618,114</u></u>

UKIAH UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2019*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
In-district premiums/contributions	\$ 6,983,251
All other fees and contracts	152,370
Other local revenues	<u>49,457</u>
Total operating revenues	7,185,078
OPERATING EXPENSES	
Employee benefits	24,796
Payments for claims and other operating expenses	<u>7,646,662</u>
Total operating expenses	<u>7,671,458</u>
Operating Income (Loss)	(486,380)
NON-OPERATING REVENUE	
Interest income	<u>4,129</u>
Change in net position	(482,251)
Net position, July 1, 2018	<u>1,100,365</u>
Net position, June 30, 2019	<u><u>\$ 618,114</u></u>

UKIAH UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from self-insurance premiums	\$ 6,974,216
Cash received from all other fees and contracts	168,495
Cash received from all other local sources	49,457
Cash paid for operating expenses	<u>(7,672,317)</u>
Net cash provided (used) by operating activities	(480,149)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>4,129</u>
Net decrease in cash	(476,020)
Cash, July 1, 2018	<u>1,074,562</u>
Cash, June 30, 2019	<u><u>\$ 598,542</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (486,380)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	16,125
Increase in due from other funds	(9,035)
Decrease in accounts payable	<u>(859)</u>
Net cash provided (used) by operating activities	<u><u>\$ (480,149)</u></u>

UKIAH UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2019

	Agency Funds	Trust Funds
	Student Body Funds	Scholarship Funds
ASSETS		
Cash	\$ 335,501	\$ 51,501
Investments	-	331,103
Total assets	<u>\$ 335,501</u>	<u>382,604</u>
LIABILITIES		
Due to student groups	\$ 335,501	-
Total liabilities	<u>\$ 335,501</u>	<u>-</u>
NET POSITION		
Restricted for student scholarships		<u>\$ 382,604</u>

UKIAH UNIFIED SCHOOL DISTRICT*Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2019*

	Trust Funds Scholarship Funds
ADDITIONS	
Interest and investment earnings	\$ 12,781
Net increase in fair value of investments	<u>10,254</u>
Total additions	23,035
DEDUCTIONS	
Scholarships	<u>(2,000)</u>
Change in net position	21,035
Net Position - July 1, 2018	<u>361,569</u>
Net Position - June 30, 2019	<u><u>\$ 382,604</u></u>

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ukiah Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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 as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Ukiah Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects. This fund is not substantially composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

Pupil Transportation Equipment Fund: This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

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

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds: These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

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

Fiduciary Funds

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

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds (continued)

The District maintains the following fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for assets held by the District as trustee for individuals, private organizations or other governments and are therefore not available to support the District's own programs. The District maintains private-purpose trust funds to account for transactions relating to the Scholarship Fund. The District has elected to combine all private-purpose trust funds into a single fund for financial reporting purposes.

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California 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 districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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.

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

Description	Estimated Lives
Buildings	20-50 years
Improvement of sites	5-40 years
Equipment	2-15 years

4. Unearned Revenue

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

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

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows/Inflows 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 that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the 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 that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. 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.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees.

The Board formally identified the entire fund balance in the Special Reserve for Other Than Capital Outlay Fund as the State recognized Fund where the 3% Minimum Reserves for Economic Uncertainty and the additional Board Required Reserve of 6% as described in Board Policy 3100 (c) are maintained. In the event that the balance drops below the established minimum level, the District will develop a plan within two years to replenish the fund balance to the established minimum level. Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

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 reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

1. (continued)

Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****J. Future Accounting Pronouncements (continued)**

5. (continued)

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019 are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 23,742,410	\$ 598,542	\$ 24,340,952	\$ -
Cash Overdraft	(645,226)	-	(645,226)	-
Total Pooled Funds	<u>23,097,184</u>	<u>598,542</u>	<u>23,695,726</u>	<u>-</u>
Deposits:				
Cash on hand and in banks	2,520	-	2,520	387,002
Cash in revolving fund	5,300	-	5,300	-
Total Deposits	<u>7,820</u>	<u>-</u>	<u>7,820</u>	<u>387,002</u>
Total Cash	<u>\$ 23,105,004</u>	<u>\$ 598,542</u>	<u>\$ 23,703,546</u>	<u>\$ 387,002</u>
		Investments:		
		Mutual Funds		\$ 178,693
		Stocks and exchange traded funds		87,813
		Certificates of Deposit		<u>64,597</u>
		Total Investments		<u>\$ 331,103</u>

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly to participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, \$183,907 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2019 consist of the following:

	Rating	Fair Value	Maturities		Fair Value Measurement
			Less Than One Year	One to Five Years	
Mutual Funds	A	\$ 178,693	\$ 178,693	\$ -	Level 2
Stocks and exchange traded funds	Various	87,813	87,813	-	Level 1
Certificates of Deposit	N/A	64,597	44,597	20,000	Level 2
		<u>\$ 331,103</u>	<u>\$ 311,103</u>	<u>\$ 20,000</u>	

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investments that represents more than five percent of the District's net investments.

Mutual Funds	54%
Certificates of Deposit	20%
IBM	12%
Mc Donalds Corporation	7%
Sempra Energy shares	6%

Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

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

All assets have been valued using a market approach, with quoted market prices.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds				Proprietary Fund
	General Fund	Pupil Transportation Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
Federal Government:					
Categorical aid programs	\$ 373,210	\$ -	\$ 803,617	\$ 1,176,827	\$ -
State Government:					
Lottery	494,060	-	-	494,060	-
Other state resources	269,825	-	30,350	300,175	-
Local:					
Interagency services	426,247	-	100,059	526,306	-
Special education	390,827	-	-	390,827	-
Other local resources	934,368	282,974	3,689	1,221,031	10,537
Total	<u>\$ 2,888,537</u>	<u>\$ 282,974</u>	<u>\$ 937,715</u>	<u>\$ 4,109,226</u>	<u>\$ 10,537</u>

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due From Other Funds					
	General Fund	Pupil Transportation Equipment Fund	Non-Major Funds	Total Governmental Funds	Self-Insurance Fund	Total
General Fund	\$ -	314,785	\$ 164,713	\$ 479,498	\$ 9,035	\$ 488,533
Pupil Transportation Equipment Fund	598,000	-	-	598,000	-	598,000
Non-Major Governmental Funds	281,778	-	4,842	286,620	-	286,620
Total	<u>\$ 879,778</u>	<u>\$ 314,785</u>	<u>\$ 169,555</u>	<u>\$ 1,364,118</u>	<u>\$ 9,035</u>	<u>\$ 1,373,153</u>
General Fund due to Cafeteria Fund to cover expenditures						\$ 112,623
General Fund due to Pupil Transportation Equipment Fund to cover expenditures						314,785
General Fund due to Adult Education Fund for 2nd Quarter interest posted from County Treasury						52,090
General Fund due to Self-Insurance Fund for 4th Quarter interest						9,035
Pupil Transportation Equipment Fund due to General Fund for reverse/correct due to/due from						598,000
Adult Education Fund due to General Fund to cover expenditures - indirect and contribute prior year						56,643
Child Development Fund due to Adult Education Fund for expenditures						4,842
Child Development Fund due to General Fund to cover expenditures - indirect and contribute prior year						38,188
Cafeteria Fund due to General Fund to cover expenditures - indirect and contribute prior year						186,947
						<u>\$ 1,373,153</u>

B. Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2019, consisted of the following:

General Fund transfer to Adult Education Fund for correctional facilities to cover expenditures	\$ 18,936
General Fund transfer to Cafeteria Special Revenue Fund to cover expenditures	112,623
General Fund transfer to Pupil Transportation Equipment Fund to cover expenditures	15,785
Total	<u>\$ 147,344</u>

UKIAH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds are classified as follows:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 5,300	\$ -	\$ -	\$ 5,300
Stores inventories	99,722	-	44,746	144,468
Prepaid expenditures	17,647	-	-	17,647
Total Nonspendable	122,669	-	44,746	167,415
Restricted:				
Categorical programs	6,112,334	-	-	6,112,334
Adult education program	-	-	175,789	175,789
Child development program	-	-	41,711	41,711
Capital projects	-	-	2,803,062	2,803,062
Debt service	-	5,861,200	-	5,861,200
Total Restricted	6,112,334	5,861,200	3,020,562	14,994,096
Assigned:				
Other assignments	-	-	94,031	94,031
Board reserve - 6%	4,765,037	-	-	4,765,037
Total Assigned	4,765,037	-	94,031	4,859,068
Unassigned:				
Reserve for economic uncertainties	2,382,521	-	-	2,382,521
Remaining unassigned balances	1,194,818	-	-	1,194,818
Total Unassigned	3,577,339	-	-	3,577,339
Total	\$ 14,577,379	\$ 5,861,200	\$ 3,159,339	\$ 23,597,918

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 5,005,503	\$ -	\$ -	\$ 5,005,503
Construction in progress	8,201,854	4,060,127	4,663,951	7,598,030
Total capital assets not being depreciated	13,207,357	4,060,127	4,663,951	12,603,533
Capital assets being depreciated:				
Improvement of sites	2,879,133	7,454	-	2,886,587
Buildings	108,499,040	4,684,758	-	113,183,798
Equipment	6,628,632	482,743	-	7,111,375
Total capital assets being depreciated	118,006,805	5,174,955	-	123,181,760
Accumulated depreciation for:				
Improvement of sites	(1,750,741)	(92,629)	-	(1,843,370)
Buildings	(39,844,471)	(2,459,963)	-	(42,304,434)
Equipment	(4,486,429)	(385,557)	-	(4,871,986)
Total accumulated depreciation	(46,081,641)	(2,938,149)	-	(49,019,790)
Total capital assets being depreciated, net	71,925,164	2,236,806	-	74,161,970
Governmental activity capital assets, net	\$ 85,132,521	\$ 6,296,933	\$ 4,663,951	\$ 86,765,503

Depreciation expense was charged to instruction on the Statement of Activities.

UKIAH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 49,959,888	\$ -	\$ 1,899,350	\$ 48,060,538	\$ 2,318,182
Accreted interest component	34,652,773	3,734,354	3,485,650	34,901,477	3,386,818
Bond issuance premiums	703,777	-	87,066	616,711	87,065
Total - Bonds	85,316,438	3,734,354	5,472,066	83,578,726	5,792,065
Other Postemployment Benefits	6,599,326	2,352,166	880,481	8,071,011	-
Compensated Absences	177,573	19,486	-	197,059	-
Totals	\$ 92,093,337	\$ 6,106,006	\$ 6,352,547	\$ 91,846,796	\$ 5,792,065

Payments on general obligation bonds, including accreted interest, are made by the Bond Interest and Redemption Fund with local revenues collected from property taxes. The accrued compensated absences and other postemployment benefits are paid by the fund for which the employee worked.

A. General Obligation Bonds

Election 1997 – Measure H

On March 4, 1997, the voters of the District approved Measure H by a two-thirds vote authorizing the District to issue up to \$20 million general obligation bonds for the purpose of constructing and renovating school facilities. All bonds authorized under this measure have been issued.

Election 2005 – Measure U

On November 8, 2005, the voters of the District approved Measure U by a two-thirds vote authorizing the District to issue up to \$43 million general obligation bonds for the purpose of financing specific construction and modernization projects approved by the voters. All bonds authorized under this measure have been issued.

Prior-Year Defeasance of Debt

In 2015, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2019, none of the defeased debt remains outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2019, deferred amounts on refunding were \$972,773.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

A summary of outstanding bonds is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
Measure H (1997)								
1997	6/18/1997	8/1/2018	5.5%-5.8%	\$ 13,999,343	\$ 1,221,170	\$ -	\$ 1,221,170	\$ -
2001	6/6/2001	8/1/2021	5.705%-5.75%	5,999,085	5,999,085	-	378,180	5,620,905
Subtotal, Measure H					7,220,255	-	1,599,350	5,620,905
Measure U (2005)								
2006	5/17/2006	8/1/2030	4.92%-5.98%	20,001,646	20,001,646	-	-	20,001,646
2007	12/6/2007	8/1/2018	4.0% - 5.25%	14,325,000	225,000	-	225,000	-
2007	12/6/2007	8/1/2032	5.17%-6.553%	8,672,987	8,672,987	-	-	8,672,987
Subtotal, Measure U					28,899,633	-	225,000	28,674,633
Refunding Bonds								
2015	6/25/2015	8/1/2027	3.0% - 5.0%	14,280,000	13,840,000	-	75,000	13,765,000
Total					\$ 49,959,888	\$ -	\$ 1,899,350	\$ 48,060,538
Accreted Interest								
Series 1997					\$ 2,748,704	\$ 115,126	\$ 2,863,830	\$ -
Series 2001					9,327,562	889,780	621,820	9,595,522
Series 2006					16,050,719	1,862,904	-	17,913,623
Series 2007					6,525,788	866,544	-	7,392,332
					\$ 34,652,773	\$ 3,734,354	\$ 3,485,650	\$ 34,901,477

The amounts required to amortize outstanding bonds at June 30, 2019 are as follows:

Fiscal Year	Principal	Interest	Totals
2019-20	\$ 2,318,182	\$ 3,887,656	\$ 6,205,838
2020-21	2,380,935	4,111,003	6,491,938
2021-22	2,426,788	4,393,749	6,820,537
2022-23	3,823,715	3,351,722	7,175,437
2023-24	4,085,505	3,441,064	7,526,569
2024-29	21,394,510	22,173,990	43,568,500
2029-33	11,630,903	31,894,097	43,525,000
Totals	\$ 48,060,538	\$ 73,253,281	\$ 121,313,819

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 7,764,999	\$ 1,227,449	\$ 116,192	\$ 1,109,627
MPP Program	306,012	-	-	(24,719)
Total	\$ 8,071,011	\$ 1,227,449	\$ 116,192	\$ 1,084,908

The details of each plan are as follows:

District Plan

Plan Description

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

Certificated employees are eligible to retire with District-paid benefits after attaining age 55 and completing at least 10 years of service with the District. Also, Certificated employees are eligible to retire with District-paid benefits after attaining age 50 and completing at least 30 years of earned service credit. District-paid benefits end at age 65; however, beginning with retirements after July 1, 2012, the benefit period is further limited to one year of benefits for every four completed years of full-time service or equivalent part-time service.

Classified Employees

Classified employees are eligible to retire with District-paid benefits after attaining age 50 and completing at least 10 years of service with the District. District-paid benefits end at age 65.

Management Employees

Management retirees have generally been eligible for benefits similar to those described above for Classified and Certificated retirees; however, the District does not have a written policy in place regarding Management retirees at this time.

Medical, prescription drug, dental, and vision insurance are provided to retirees and eligible dependents through the District's self-insured healthcare plans. There is a dollar cap on District-paid retiree health benefits that is fixed in the year of retirement. The cap is now \$598.88 per month for all retirees except Classified employees who retired prior to July 1, 2012, who are subject to a cap of \$300.00 per month.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Benefits Provided (continued)

The cap is reduced for less than full-time equivalent (FTE) service prior to retirement. Retirees who were less than 50% FTE prior to retirement are not eligible for District-paid health benefits. The caps apply to the modified composite rates set periodically by the District, with retirees being charged the balance of the composite rate for the coverage elected. The caps have been assumed to remain frozen for all future years for purposes of this valuation, and are assumed to be used up by medical/Rx premiums, so dental and vision premiums have not been explicitly valued.

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	36
Active employees	745
Total	<u>781</u>

Total OPEB Liability

The District's total OPEB liability of \$7,764,999 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2018
Inflation	3.00 percent
Salary increases	3.00 percent
Healthcare cost trend rates	5.90 percent for 2019 decreasing .10 percent each year to an ultimate rate of 5.00 percent for 2028 and later years.
Retirees' share of benefit-related costs	District cap of \$598.88 per month except classified retired before 7/1/12 where cap is \$300 per month

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**B. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)*****Discount Rate***

The discount rate is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality Rates

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2018	\$ 6,268,595
Changes for the year:	
Service cost	738,800
Interest	251,033
Differences in experience	758,683
Changes of assumptions	603,650
Benefit payments	(855,762)
Net changes	1,496,404
Balance at June 30, 2019	\$ 7,764,999

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease (2.13%)	\$ 8,350,144
Current discount rate (3.13%)	\$ 7,764,999
1% increase (4.13%)	\$ 7,219,654

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**B. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost Trend Rate	OPEB Liability
1% decrease (4.90% decreasing to 4.00%)	\$	7,177,989
Current rate (5.90% decreasing to 5.00%)	\$	7,764,999
1% increase (6.90% decreasing to 6.00%)	\$	8,465,749

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,109,627. In addition, at June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 683,566	\$ -
Changes of assumptions	543,883	116,192
Total	<u>\$ 1,227,449</u>	<u>\$ 116,192</u>

The deferred outflows of resources related to the differences between expected and actual experience and changes of assumptions in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 10.1 years for deferred outflows and 9.7 years for deferred inflows.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Inflows/Outflows of Resources</u>
2020	\$ 119,794
2021	119,794
2022	119,794
2023	119,794
2024	119,794
Thereafter	512,287
Total	<u>\$ 1,111,257</u>

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

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

As of June 30, 2019, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided (continued)

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

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$306,012 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2019</u>	<u>Fiscal Year Ending June 30, 2018</u>	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net OPEB Liability	0.079947%	0.078613%	0.001334%

For the year ended June 30, 2019, the District reported OPEB expense of \$(24,719).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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 its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**B. Other Postemployment Benefits (OPEB) Liability (continued)****Medicare Premium Payment (MPP) Program (continued)*****Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

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

<u>Discount Rate</u>	<u>MPP OPEB Liability</u>
1% decrease (2.87%)	\$ 338,464
Current discount rate (3.87%)	\$ 306,012
1% increase (4.87%)	\$ 276,709

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

<u>Medicare Cost Trend Rates</u>	<u>MPP OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 279,052
Current rate (3.7% Part A and 4.1% Part B)	\$ 306,012
1% increase (4.7% Part A and 5.1% Part B)	\$ 335,006

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 46,724,715	\$ 13,207,412	\$ 2,477,899	\$ 6,623,021
CalPERS	30,545,258	8,919,050	-	6,495,719
Total	<u>\$ 77,269,973</u>	<u>\$ 22,126,462</u>	<u>\$ 2,477,899</u>	<u>\$ 13,118,740</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Benefits Provided (continued)

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	2% at 60	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	60	62
Retirement Age	2.0%-2.4%	2.0%-2.4%
Monthly Benefits as a Percentage of Eligible Compensation	10.25%	10.205%
Required Member Contribution Rate	16.28%	16.28%
Required Employer Contribution Rate	9.828%	9.828%
Required State Contribution Rate		

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$4,525,950.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 46,724,715
State's proportionate share of the net pension liability associated with the District	26,752,084
Total	<u>\$ 73,476,799</u>

UKIAH UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.050839%	0.049393%	0.001446%

For the year ended June 30, 2019, the District recognized pension expense of \$6,623,021. In addition, the District recognized pension expense and revenue of \$912,241 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,525,950	\$ -
Net change in proportionate share of net pension liability	1,277,760	-
Difference between projected and actual earnings on pension plan investments	-	1,799,197
Changes of assumptions	7,258,810	-
Differences between expected and actual experience	144,892	678,702
Total	<u>\$ 13,207,412</u>	<u>\$ 2,477,899</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,075,562
2021	1,400,926
2022	173,162
2023	1,384,149
2024	1,243,398
Thereafter	(73,635)
Total	<u>\$ 6,203,563</u>

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**A. California State Teachers' Retirement System (CalSTRS) (continued)****Actuarial Methods and Assumptions (continued)**

For each future valuation, CalSTRS' consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the 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 (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP'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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 68,446,239
Current discount rate (7.10%)	46,724,715
1% increase (8.10%)	28,715,463

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$4,265,062.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

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 service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

UKIAH UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019***NOTE 8 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the 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. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$2,898,978.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,545,258. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.114560%	0.116350%	-0.001790%

For the year ended June 30, 2019, the District recognized pension expense of \$6,495,719. 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	\$ 2,898,978	\$ -
Net change in proportionate share of net pension liability	717,288	-
Difference between projected and actual earnings on pension plan investments	250,540	-
Changes of assumptions	3,049,809	-
Differences between expected and actual experience	2,002,435	-
Total	<u>\$ 8,919,050</u>	<u>\$ -</u>

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 3,681,884
2021	2,799,099
2022	(195,639)
2023	(265,272)
2024	-
Thereafter	-
Total	<u>\$ 6,020,072</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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 returns were calculated over the short-term (first ten 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 administration expenses.

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 44,472,435
Current discount rate (7.15%)	30,545,258
1% increase (8.15%)	18,990,671

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$1,035,622.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2019, the District reported payables of \$68,953 and \$20,213 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

NOTE 9 – JOINT POWERS AGREEMENTS

The District participates in the following three Joint Powers Agreements (JPAs):

The Northern California Schools Insurance Group arranges for and provides property and liability insurance for its member School Districts. The District pays a premium commensurate with the level of coverage requested. This is a partial self-insurance program.

The JPA is governed by an Executive Committee consisting of a representative from each member District and County. The Governing Board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the Governing Board.

The JPA is independently accountable for its fiscal matters. The Insurance Group maintains its own accounting records. The budget is not subject to any approval other than that of the Executive Committee.

The District also participates in Schools Insurance Group Northern Alliance which is a Joint Powers Authority organized in accordance with Title 1, Division 7, Chapter 5, Article 1 of the California Government Code. The purpose of the organization is to jointly provide for a self-insurance plan and system for workers' compensation claims against the member public educational agencies. The Alliance is under the control and direction of a Board of Directors consisting of representatives of the twenty member Districts.

Member contributions are based on rates established by the Joint Powers Authority's Board of Directors. The Board sets member contribution rates based on actual historical loss experience statistics. Experience modification factors are computed for each member based on the Workers' Compensation Insurance Rating Bureau of California guidelines.

In addition, the District also participates in the Schools Excess Liability Fund (SELF), a State Joint Powers Agency established as a cooperative program of self-funding and risk management for excess liability for California public educational agencies. Districts commit to a three-year participation in SELF, but those withdrawing after three years may be entitled to a partial refund five years after withdrawal under certain conditions.

Member Districts may be required to make additional contributions in the event excess liability claims against SELF exceed available resources.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 9 – JOINT POWERS AGREEMENTS (continued)

The relationship between the District and these JPAs is such that none of them are a component unit of the District for financial reporting purposes. Condensed financial information relating to these JPAs are available directly from the JPAs.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Construction Commitments

As of June 30, 2019, the District had commitments with respect to unfinished capital projects of about \$0.8 million to be paid from a combination of State and local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 11 – SUBSEQUENT EVENT

Lease Agreement

On July 30, 2019, the District entered into a lease-sublease agreement in the principal amount of \$6,862,769 for the purpose of obtaining financing for school facility energy efficiency projects.

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Required Supplementary Information

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UKIAH UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 58,546,893	\$ 59,578,129	\$ 59,578,131	\$ 2
Federal Sources	5,158,451	5,113,460	5,066,124	(47,336)
Other State Sources	7,345,089	9,765,280	9,765,282	2
Other Local Sources	4,822,231	6,028,132	6,031,727	3,595
Total Revenues	75,872,664	80,485,001	80,441,264	(43,737)
Expenditures				
Current:				
Certificated salaries	29,855,485	30,320,320	30,311,399	8,921
Classified salaries	14,276,161	14,094,722	14,095,951	(1,229)
Employee benefits	19,089,054	21,284,647	21,281,917	2,730
Books and supplies	6,624,289	4,168,850	4,128,865	39,985
Transfers of indirect costs	-	122,767	122,767	-
Services and other operating	6,041,467	6,797,758	6,792,089	5,669
Capital Outlay	804,687	2,279,916	2,279,910	6
Intergovernmental Transfers	(261,686)	(259,178)	(259,178)	-
Total Expenditures	76,429,457	78,809,802	78,753,720	56,082
Excess (Deficiency) of Revenues Over (Under) Expenditures	(556,793)	1,675,199	1,687,544	12,345
Other Financing Sources and Uses				
Interfund Transfers In	83,336	-	-	-
Interfund Transfers Out	(50,752)	(663,622)	(663,622)	-
Net Change in Fund Balances	(524,209)	1,011,577	1,023,922	12,345
Fund Balances, July 1, 2018	6,405,899	6,405,899	6,405,899	-
Fund Balances, June 30, 2019	\$ 5,881,690	\$ 7,417,476	7,429,821	\$ 12,345

**Other Fund Balances included in the Statement of Revenues, Expenditures
and Changes in Fund Balances:**

Special Reserve Fund for Other Than Capital Outlay 7,147,558

**Total reported General Fund balance on the Statement of Revenues,
Expenditures and Changes in Fund Balances:**

\$ 14,577,379

UKIAH UNIFIED SCHOOL DISTRICT***Budgetary Comparison Schedule – Pupil Transportation Equipment Fund
For the Fiscal Year Ended June 30, 2019***

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original*	Final		
Revenues				
Other Local	\$ -	\$ 285,047	\$ 285,046	\$ (1)
Total Revenues	-	285,047	285,046	(1)
Expenditures				
Current:				
Capital Outlay	-	300,832	300,831	1
Total Expenditures	-	300,832	300,831	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(15,785)	(15,785)	-
Other Financing Sources and Uses				
Interfund Transfers In		15,785	15,785	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, July 1, 2018	-	-	-	-
Fund Balances, June 30, 2019	\$ -	\$ -	\$ -	\$ -

* Ukiah Unified School District was unable to set up the Pupil Transportation Equipment Fund until late in the fiscal year; therefore, an original budget was not created.

UKIAH UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability For the Fiscal Year Ended June 30, 2019

	Last Ten Fiscal Years*				
	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS					
District's proportion of the net pension liability	0.0508%	0.0494%	0.0530%	0.0530%	0.0470%
District's proportionate share of the net pension liability	\$ 46,724,715	\$ 45,678,402	\$ 42,866,930	\$ 35,681,720	\$ 27,465,390
State's proportionate share of the net pension liability associated with the District	26,752,084	27,022,957	24,406,971	18,871,646	16,584,955
Totals	\$ 73,476,799	\$ 72,701,359	\$ 67,273,901	\$ 54,553,366	\$ 44,050,345
District's covered-employee payroll	\$ 26,926,937	\$ 26,674,841	\$ 26,189,748	\$ 23,207,759	\$ 21,262,461
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.52%	171.24%	163.68%	153.75%	129.17%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS					
District's proportion of the net pension liability	0.1146%	0.1164%	0.1181%	0.1063%	0.1058%
District's proportionate share of the net pension liability	\$ 30,545,258	\$ 27,775,878	\$ 23,324,823	\$ 15,668,725	\$ 12,010,876
District's covered-employee payroll	\$ 15,168,811	\$ 14,791,676	\$ 14,221,575	\$ 11,743,055	\$ 10,733,342
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.37%	187.78%	164.01%	133.43%	111.90%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

Notes to Schedule:

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

	Last Ten Fiscal Years*				
	2019	2018	2017	2016	2015
CalSTRS					
Contractually required contribution	\$ 4,525,950	\$ 3,885,557	\$ 3,355,695	\$ 2,810,160	\$ 2,060,849
Contributions in relation to the contractually required contribution	<u>4,525,950</u>	<u>3,885,557</u>	<u>3,355,695</u>	<u>2,810,160</u>	<u>2,060,849</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 27,800,678</u>	<u>\$ 26,926,937</u>	<u>\$ 26,674,841</u>	<u>\$ 26,189,748</u>	<u>\$ 23,207,759</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS					
Contractually required contribution	\$ 2,898,978	\$ 2,355,868	\$ 2,054,268	\$ 1,684,830	\$ 1,382,275
Contributions in relation to the contractually required contribution	<u>2,898,978</u>	<u>2,355,868</u>	<u>2,054,268</u>	<u>1,684,830</u>	<u>1,382,275</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 16,050,150</u>	<u>\$ 15,168,811</u>	<u>\$ 14,791,676</u>	<u>\$ 14,221,575</u>	<u>\$ 11,743,055</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

UKIAH UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	\$ 738,800	\$ 447,842
Interest	251,033	190,739
Differences between expected and actual experience	758,683	-
Changes of assumptions or other inputs	603,650	(146,372)
Benefit payments	(855,762)	(630,170)
Net change in total OPEB liability	1,496,404	(137,961)
Total OPEB liability - beginning	6,268,595	6,406,556
Total OPEB liability - ending	\$ 7,764,999	\$ 6,268,595
 Covered-employee payroll	 \$ 46,631,772	 \$ 42,093,950
 Total OPEB liability as a percentage of covered- employee payroll	 16.65%	 14.89%

Notes to Schedule:

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

UKIAH UNIFIED SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2019*

	2018	2017
District's proportion of net OPEB liability	<u>0.0799%</u>	<u>0.0786%</u>
District's proportionate share of net OPEB liability	<u>\$ 306,012</u>	<u>\$ 330,731</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.40%</u>	<u>0.01%</u>

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

UKIAH UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

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

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate assumption changed from 3.62% to 3.13% in the most recent valuation.

UKIAH UNIFIED SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Supplementary Information

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UKIAH UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2019

The Ukiah Unified School District was established on July 1, 1965, and is comprised of an area of approximately 494 square miles located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District operates six elementary schools, two middle schools, one high school, and a continuation high school. The District also operates a child development program and an adult education program.

GOVERNING BOARD		
Member	Office	Term Expires
Tyler Nelson	President	December, 2022
Megan Van Sant	Vice President	December, 2020
Anne Molgaard	Clerk	December, 2020
Beatriz Arkin	Member	December, 2022
Carolyn Barrett	Member	December, 2022
Zoey Fernandez	Member	December, 2020
Gail Monpere	Member	December, 2020

DISTRICT ADMINISTRATORS

Debra Kubin,
Superintendent

Nicole Glentzer,
Assistant Superintendent, Human Resources

Katie Sommer,
Assistant Superintendent, Educational Services

Penny Lauseng,
Chief Business Official

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
	Certificate No. 6E353580	Certificate No. 78E4A012
Regular ADA:		
Grades TK - 3	1,803.54	1,807.20
Grades 4 - 6	1,265.08	1,267.39
Grades 7 - 8	843.59	843.67
Grades 9 - 12	1,685.53	1,673.36
Total ADA	5,597.74	5,591.62

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2019

Grade Level	Required	2018-19 Actual Minutes	Number of Days Traditional Calendar*	Status
Kindergarten	36,000	54,960	178	Complied
Grade 1	50,400	51,400	178	Complied
Grade 2	50,400	51,400	178	Complied
Grade 3	50,400	53,650	178	Complied
Grade 4	54,000	53,650	178	Complied
Grade 5	54,000	54,599	178	Complied
Grade 6	54,000	54,864	178	Complied
Grade 7	54,000	55,100	178	Complied
Grade 8	54,000	55,100	178	Complied
Grade 9	64,800	64,610	178	Complied
Grade 10	64,800	64,610	178	Complied
Grade 11	64,800	64,610	178	Complied
Grade 12	64,800	64,610	178	Complied

*The California Department of Education approved a request for 2 emergency days for November 9, 2018 and February 27, 2019 for all schools due to emergency conditions at the District. These closure days may be used to meet the instructional time requirements pursuant to California Education Code sections 46200, 46201, 46207, and/or 46208.

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020 ²	2019 ³	2018	2017
Revenues and other financing sources	\$ 79,009,415	\$ 80,441,264	\$ 73,009,143	\$ 70,576,703
Expenditures	81,177,513	78,753,720	72,160,535	67,970,672
Other uses and transfers out	532,180	663,622	392,809	136,055
Total outgo	81,709,693	79,417,342	72,553,344	68,106,727
Change in fund balance (deficit)	(2,700,278)	1,023,922	455,799	2,469,976
Ending fund balance	\$ 4,729,543	\$ 7,429,821	\$ 6,405,899	\$ 5,950,100
Available reserves ¹	\$ 3,704,651	\$ 3,577,339	\$ 3,376,865	\$ 3,369,993
Available reserves as a percentage of total outgo	4.5%	4.5%	4.7%	4.9%
Total long-term debt	\$ 163,324,704	\$ 169,116,769	\$ 165,547,617	\$ 159,843,431
Average daily attendance at P-2	5,598	5,598	5,593	5,573

The General Fund balance has increased by \$1,479,721 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$2,700,278. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by \$9,273,338 over the past two years.

Average daily attendance has increased by 25 over the past two years. ADA is not anticipated to change during fiscal year 2019-20.

¹ Available reserves consist of all unassigned fund balances in the General and Special Reserve Funds.

² Revised Final Budget September, 2019.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

UKIAH UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2019*

*There were no differences between the Annual Financial and Budget Report and the
Audited Financial Statements in any funds.*

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 6,167	
School Breakfast Program - Especially Needy	10.553	13526	725,595	
National School Lunch Program	10.555	13525	1,959,372	
USDA Donated Foods	10.555	N/A	183,091	
Total Child Nutrition Cluster				\$ 2,874,225
Child and Adult Care Cluster:				
Child and Adult Care Food Program	10.558	13393	382,265	
Cash in Lieu of Commodities	10.558	N/A	27,140	
Total Child and Adult Care Food Program Cluster				409,405
Fresh Fruit and Vegetable Program	10.582	14968		29,815
Total U.S. Department of Agriculture				3,313,445
U.S. Department of Education:				
Impact Aid - Maintenance & Operations	84.041	N/A		137,034
Indian Education	84.060	N/A		97,533
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Cluster:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	1,872,141	
ESSA School Improvement Funding	84.010	15438	15,848	
Total Title I Cluster				1,887,989
Title I, Part C, Migrant Education	84.011	14838		291,521
Title II, Part A, Supporting Effective Instruction	84.367	14341		357,903
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education	84.365	15146	24,326	
Title III, Limited English Proficiency	84.365	14346	121,740	
Total English Language Acquisition Grants Cluster				146,066
Title IV, Part B, Rural & Low Income Program	84.358	14356		213,735
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332		3,940
Emergency Impact Aid for Displaced Students	84.938	15432		76,625
Carl D. Perkins Career and Technical Education	84.048	14894		56,808
Adult Education Cluster:				
Adult Basic Education & ELA	84.002	14508	26,075	
Adult Secondary Education	84.002	13978	83,603	
Institutionalized Adults	84.002	13971	41,183	
Total Adult Education Cluster				150,861
Passed through Mendocino County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Local Assistance Entitlement	84.027	13379	1,337,103	
Local Assistance, Part B, Section 611, Private Schools	84.027	10115	15,142	
Local Assistance, Part B, Section 611, Early Intervention	84.027	10119	107,232	
Total Special Education (IDEA) Cluster				1,459,477
Total U.S. Department of Education				4,879,492
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education:				
Medicaid Cluster:				
Medi-Cal Administrative Activities (MAA)	93.778	10060	223,702	
Medi-Cal Billing Option	93.778	10013	113,791	
Total Medicaid Cluster				337,493
Total U.S. Department of Health & Human Services				337,493
Total Expenditures of Federal Awards				\$ 8,530,430

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2019

Name	Number	Status	Inclusion of Financial Statements
Accelerated Achievement Academy	0439	Active	Not included
Redwood Academy of Ukiah	0271	Active	Not included
River Oak Charter	0910	Active	Not included
Tree of Life Charter	0276	Active	Not included

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

The 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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' 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 Education
Ukiah Unified School District
Ukiah, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ukiah Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Ukiah Unified School District's basic financial statements, and have issued our report thereon dated February 5, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Murrieta, California
February 5, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Ukiah Unified School District
Ukiah, California

Report on Compliance for Each Major Federal Program

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Ukiah Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ukiah Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Murrieta, California
February 5, 2020



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Ukiah Unified School District
Ukiah, California

Report on State Compliance

We have audited Ukiah Unified School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Ukiah Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Ukiah Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Ukiah Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	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

Unmodified Opinion on Compliance with State Programs

In our opinion, Ukiah Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Ukiah Unified School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Ukiah Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

Nigro + Nigro, PC.

Murrieta, California
February 5, 2020

Findings and Questioned Costs

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UKIAH UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516?	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	<u>Child Nutrition Cluster</u>

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

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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UKIAH UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2018-19.

UKIAH UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2018-19.

UKIAH UNIFIED SCHOOL DISTRICT

Schedule of Audit Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-001: School Accountability Report Card (72000)

Criteria: In accordance with Education Code §33126, a school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, and to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1 of each year.

Condition: It was noted that the School Facility Repair Status on the SARC for three sites did not match the corresponding FIT form as follows:

1. South Valley High School. The SARC noted a status of "Good" on the electrical, structural, and overall rating. The corresponding FIT form was noted with "Poor", "Poor", and "Fair" ratings.
2. Ukiah Independent Study Academy. The SARC noted a status of "Good" on the restrooms/fountains and "Exemplary" on the overall rating. The corresponding FIT was noted with "Fair" and "Good" ratings.
3. Ukiah High School. The SARC noted a status of "Good" on the restrooms/fountains. The corresponding FIT was noted with "Fair" rating.

Context: The error was noted for three of the six selected schools and is limited to the 2018-19 fiscal year.

Cause: The District recorded incorrect information on the SARC.

Effect: Without proper compliance, the public will be misinformed on the school's facilities.

Recommendation: We recommend that an employee verify the information presented in the SARC. This information is essential to present the condition of the school fairly to the public.

Views of Responsible Officials: The District will add an additional level of review to the process to ensure that this mistake does not happen again.

UKIAH UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

There were no findings or questioned costs in 2017-18.

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To the Board of Education
Ukiah Unified School District
Ukiah, California

In planning and performing our audit of the basic financial statements of Ukiah Unified School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 5, 2020 on the financial statements of Ukiah Unified School District.

ASSOCIATED STUDENT BODY (ASB)

Observation: In our testing of cash receipts at *Eagle Peak Middle*, we found a deposit that lacked sufficient supporting documentation such as prenumbered receipts for a yearbook deposit, dated October 4, 2018. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

Recommendation: Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific activity or fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and accounted for properly. We recommend that before any events are held, control procedures are established that will allow for the reconciliation between money collected and sales.

Observation: In our test of cash disbursements, we noted some disbursements selected in our sample at *Eagle Peak Middle and Ukiah High* were not approved until after the expenditure had already been incurred. Additionally, at *Eagle Peak Middle*, we noted a disbursement selected in our sample was not approved by the District representative, the ASB advisor, and/or the student representative.

Recommendation: Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. As a “best practice,” approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Observation: In our testing of expenditures at *Eagle Peak Middle*, we noted a disbursement that was missing supporting documentation. Issuing payment for expenditures without proper approvals and supporting documentation can provide the opportunity for the misappropriation of student funds.

Recommendation: We advise that the District follow-up on the noted exceptions to ensure that the disbursements are not fraudulent transactions. In addition, we recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

DISTRICT OFFICE

Observation: In our test of District disbursements we found several invoices that were dated before a purchase order was issued, indicating that the approval process was followed after the expenditure had already been incurred. Additionally, we noted some expenditures that did not agree with supporting documents or that lacked supporting documents.

Recommendation: We recommend that the District instruct all employees to follow established policies over purchasing goods and services. Incurring expenditures prior to obtaining approval should be prohibited, except in very few cases, when verbal approval should be obtained and documented. Blanket purchase orders should be utilized for various expenditures to help minimize "emergencies". Adequate supporting documentation such as original receipts should be retained. Approved amounts should be compared to supporting documentation to ensure that actual purchases are consistent with the preapproved amount.

We will review the status of the current year comments during our next audit engagement.



Murrieta, California
February 5, 2020

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APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF UKIAH AND MENDOCINO COUNTY

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

General

The City. The City is located in the north central area of the County, approximately 100 miles north of San Francisco and about an hour's drive from the coastal redwoods and the Mendocino Coast. The City is the largest city in the County and is the County seat. The City was incorporated in 1876 and was the first community in the United States to utilize a Council-Manager form of government. The City Council is made up of five members who set policy and set up the City budget. The City Council appoints a Mayor, City Manager, City Treasurer, City Clerk and members of other commissions.

The County. The County was created in 1850 by the State Legislature and was one of the State's original 27 counties. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt counties all border Mendocino County on its inland side. The County spans an area of over 2 million acres, which is approximately 3500 square miles and its coastline runs about 100 miles. Coastal highways 1 and 101, running through the center of the County, are important transportation routes. Smaller country roads connect Mendocino's five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The City of Ukiah is the largest city in the County and is the County seat. The County is legislatively governed by a board of five supervisors, each with a separate district.

The County has nine Indian reservations lying within its borders, the fourth most of any county in the United States (after San Diego County, California; Sandoval County, New Mexico; and Riverside County, California).

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Population

The City's population and the County's population at January 1, 2020, the most recent estimate, were 16,061 and 87,946, respectively, according to the State Department of Finance. The table below shows population estimates for the City and the County for the last five years.

MENDOCINO COUNTY
Population Estimates
Calendar Years 2016 through 2020 as of January 1

Area	2016	2017	2018	2019	2020
Fort Bragg	7,411	7,434	7,514	7,471	7,427
Point Arena	444	445	448	441	451
Ukiah	15,970	15,993	16,151	16,029	16,061
Willits	5,026	5,061	5,139	5,117	5,072
Balance Of County	59,633	59,785	59,399	59,330	58,935
Total County	88,484	88,718	88,651	88,388	87,946

Source: State Department of Finance estimates (as of January 1)

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Largest Employers

The following table lists the twenty-five largest employers within the County as of April 2020, being the most current date for which such information is available. The employers are listed in alphabetical order without regard to the number of employees.

MENDOCINO COUNTY Major Employers (Listed Alphabetically) As of April 2020

Employer Name	Location	Industry
Adventist Health Ukiah Vly.	Ukiah	Outpatient Services
California Department-Forestry	Willits	Government Offices-State
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Ukiah	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Frank R. Howard Memorial Hosp.	Willits	Hospitals
Howard Memorial Hosp. Med. Imgng.	Willits	Diagnostic Imaging Centers
Little River Inn Golf & Tennis	Little River	Hotels & Motels
Mendocino Coast Distict Hosp.	Fort Bragg	Hospitals
Mendocino Community Health	Ukiah	Clinics
Mendocino County Food Stamps	Ukiah	Government Offices-County
Mendocino County Office-Edu.	Ukiah	Government Offices-County
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc.	Ukiah	Government Offices-County
Mendocino Redwood Co. LLC	Calpella	Nonclassified Establishments
Metalfx	Willits	Sheet Metal Fabricators (mfrs)
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Redwood Empire Packing Inc.	Ukiah	Fruits & Vegetables-Growers & Shippers
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Sho-Ka-Wah Casino	Hopland	Casinos
Ukiah City Civic Ctr.	Ukiah	Government Offices-City/Village & Twp
Ukiah Valley Medical Ctr.	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

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

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Employment and Industry

The unemployment rate in Mendocino County was 4.9% in March 2020, up from a revised 4.7% in February 2020, and below the year-ago estimate of 5.9%. This compares with an unadjusted unemployment rate of 4.5% for California and 3.9% for the nation during the same period.

The following table shows the average annual estimated numbers of wage and salary workers by industry.

Mendocino County Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2019 Benchmark)					
	2015	2016	2017	2018	2019
Civilian Labor Force ⁽¹⁾	39,830	39,610	39,580	39,500	38,930
Employment	37,510	37,520	37,800	37,910	37,390
Unemployment	2,320	2,090	1,790	1,590	1,550
Unemployment Rate	5.8%	5.3%	4.5%	4.0%	4.0%
<u>Wage and Salary Employment: ⁽²⁾</u>					
Agriculture	1,400	1,360	1,380	1,450	1,460
Mining, Logging, and Construction	1,340	1,370	1,540	1,690	1,700
Manufacturing	2,510	2,550	2,540	2,470	2,380
Wholesale Trade	730	740	840	810	750
Retail Trade	4,650	4,730	4,760	4,820	4,810
Transportation, Warehousing, Utilities	690	710	710	730	710
Information	250	250	230	230	210
Financial Activities	1,040	1,050	1,060	1,070	1,060
Professional and Business Services	1,700	1,670	1,670	1,790	1,900
Educational and Health Services	5,500	5,580	5,750	5,780	5,830
Leisure and Hospitality	4,290	4,410	4,410	4,490	4,370
Other Services	780	790	810	810	740
Federal Government	270	280	270	270	270
State Government	590	570	560	580	600
Local Government	6,280	6,400	6,400	6,320	6,300
Total, All Industries ⁽³⁾	32,020	32,440	32,950	33,290	33,080

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not sum to totals due to rounding.

Source: State of California Employment Development Department.

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Commercial Activity

Total taxable sales during calendar year 2019 in the City were reported to be \$548,622,057, a 13.09% increase over the total taxable sales of \$485,109,978 reported during calendar year 2018.

CITY OF UKIAH
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2015 ⁽¹⁾	448	\$390,263	723	\$436,189
2016	478	415,019	775	467,938
2017	469	413,944	774	465,072
2018	457	432,223	803	485,110
2019	455	491,185	807	548,622

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

Source: State Department of Tax and Fee Administration.

Total taxable sales during calendar year 2019 in the County were reported to be \$1,602,967,631, a 7.52% increase over the total taxable sales of \$1,490,850,025 reported during calendar year 2018.

MENDOCINO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2015 ⁽¹⁾	1,538	\$1,034,850	4,001	\$1,378,476
2016	2,489	1,075,436	4,145	1,424,943
2017	2,529	1,111,403	4,460	1,467,165
2018	2,492	1,150,832	4,796	1,490,850
2019	2,472	1,245,092	5,046	1,702,968

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

Source: State Department of Tax and Fee Administration.

Construction Trends

Provided below are the building permits and valuations for the City and County for calendar years 2014 through 2018.

CITY OF UKIAH Total Building Permit Valuations Calendar Years 2014 through 2018 (dollars in thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$2,522.2	\$2,491.3	\$2,230.4	\$3,582.6	\$4,794.6
New Multi-family	0.0	0.0	8,400.0	0.0	0.0
Res. Alterations/Additions	184.1	431.9	850.3	1,133.6	10,268.4
Total Residential	2,706.3	2,923.2	11,480.7	4,716.2	15,063.0
New Commercial	\$945.8	798.9	654.0	3,403.7	5,699.5
New Industrial	0.0	0.0	78.2	0.0	0.0
New Other	461.6	492.5	667.0	505.1	1,877.1
Com. Alterations/Additions	1,358.4	1,518.1	726.4	726.8	845.0
Total Nonresidential	2,765.8	2,809.5	2,125.6	4,635.6	8,421.6
<u>New Dwelling Units</u>					
Single Family	13	15	13	16	25
Multiple Family	0	0	48	0	0
TOTAL	13	15	61	16	25

Source: Construction Industry Research Board, Building Permit Summary.

MENDOCINO COUNTY Total Building Permit Valuations Calendar Years 2014 through 2018 (dollars in thousands)

	2014	2015	2016	2017	2018
<u>Permit Valuation</u>					
New Single-family	\$13,054.7	\$15,467.7	\$11,628.5	\$17,779.4	\$29,034.7
New Multi-family	537.0	224.7	8,400.0	224.9	0.0
Res. Alterations/Additions	6,503.6	7,345.8	10,523.7	7,241.9	985.7
Total Residential	20,095.3	23,038.2	30,552.2	25,246.2	39,303.1
New Commercial	3,687.9	8,608.5	3,937.5	14,404.3	4,248.8
New Industrial	460.7	515.0	78.2	775.3	5.0
New Other	4,445.3	4,173.1	4,008.9	2,859.7	20,105.1
Com. Alterations/Additions	6,023.7	6,201.4	6,652.3	2,240.8	7,387.6
Total Nonresidential	14,617.6	19,498.0	14,676.9	20,280.1	31,746.5
<u>New Dwelling Units</u>					
Single Family	72	85	70	91	157
Multiple Family	7	2	48	2	0
TOTAL	79	87	118	93	157

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

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

CITY OF UKIAH, MENDOCINO COUNTY, STATE OF CALIFORNIA AND UNITED STATES Effective Buying Income For Calendar Years 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Ukiah	\$308,423	\$39,451
	Mendocino County	1,878,358	40,060
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Ukiah	\$313,155	\$39,424
	Mendocino County	1,886,213	40,032
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Ukiah	\$304,459	\$37,984
	Mendocino County	1,833,429	40,496
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Ukiah	\$341,372	\$39,976
	Mendocino County	1,958,994	42,231
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Ukiah	\$412,016	\$47,335
	Mendocino County	2,374,052	48,768
	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.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

_____, 2020

Board of Trustees
Ukiah Unified School District
511 South Orchard Street
Ukiah, California 95482

OPINION: \$_____ Ukiah Unified School District (Mendocino County, California)
 General Obligation Bonds, Election of 2020, Series A

Members of the Board of Trustees:

We have acted as bond counsel to the Ukiah Unified School District (the "District") in connection with the issuance by the District of \$_____ principal amount of Ukiah Unified School District (Mendocino County, California) General Obligation Bonds, Election of 2020, Series A, dated the date hereof (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution adopted by the Board of Trustees of the District (the "Board") on April 16, 2020 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is 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 the valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the Board of Supervisors of the County of Mendocino 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 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, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. 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.

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,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
UKIAH UNIFIED SCHOOL DISTRICT
(Mendocino County, California)
General Obligation Bonds
Election of 2020, Series A

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Ukiah Unified School District (the “District”) in connection with the execution and delivery of the captioned bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on April 16, 2020 (the “Bond Resolution”). U.S. Bank National Association, San Francisco, California, is the designated 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 Bond 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 June 30th), the first being March 31, 2021.

“*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 U.S. Bank National Association, or any successor thereto.

“Participating Underwriter” means Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2021 with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. 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) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the District shall include in its Annual Report the following information:

- (i) Adopted budget of the District for the current fiscal year, or a summary thereof;
- (ii) Average Daily Attendance of the District for the last completed fiscal year;
- (iii) outstanding District indebtedness;
- (iv) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County; and
- (v) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) 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 paying agent or the change of name of a paying agent, 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 Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended 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 Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 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

UKIAH UNIFIED SCHOOL DISTRICT

By: _____
Name: _____
Title: _____

**ACCEPTANCE OF DUTIES AS
DISSEMINATION AGENT**

**ISOM ADVISORS, A DIVISION OF URBAN
FUTURES, INC.**

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Ukiah Unified School District (the "District")

Name of Bond Issue: \$_____ Ukiah Unified School District (County of Mendocino, California) General Obligation Bonds Election of 2020, Series A

Date of Issuance: _____, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of _____, 2020. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____
Its: _____

cc: Paying Agent and Participating Underwriter

APPENDIX F

DTC AND THE BOOK-ENTRY 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. “DTC will act as securities depository for the securities (in this Appendix, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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APPENDIX G

COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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COUNTY OF MENDOCINO



STATEMENT OF INVESTMENT POLICY

OFFICE OF
SHARI L. SCHAPMIRE
MENDOCINO COUNTY TREASURER
JANUARY 2019

I. INTRODUCTION

As designated by the Board of Supervisors under the laws of the State of California, it is the responsibility of the County Treasurer to secure and protect the public funds of the County, as well as establish proper safeguards, controls, and procedures to maintain these funds in a lawful, rational, and auspicious manner. Said maintenance shall include the prudent and secure investment of those funds that are not immediately required for daily operations in a manner anticipated to provide additional benefits to the citizens of the County of Mendocino. In addition, the County Treasurer acts as the Treasurer, cash manager, and investor for a sizable number of public agencies within the County, rather than each entity having to locate and hire a knowledgeable person to handle the entity's banking, investments, and other financial duties separately. This pooling of public funds not only eliminates duplication of expenses, but also levels out cash flow differences, permits cost savings through higher volume, and attracts more professional service providers. This document contains the policies, procedures, and legalities guiding the County Treasurer when investing funds.

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27136, and 53600 - 53686. The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws will be the focus of this policy statement. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. This document is reviewed no less than annually and may be adjusted as needed to reflect any changes in the Government Code or investment practices.

II. SCOPE

This Investment Policy applies to all the County's financial assets and investment activities with the following exceptions:

- A. Proceeds of debt issuance shall be invested in accordance with the County's general investment philosophy as set forth in this policy; however, such proceeds are invested in accordance with permitted investment provisions of their specific bond indentures.

Pooling of Funds: Except for cash in certain restricted and special funds, the County will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income shall be allocated quarterly, on the average daily balance method, to the various funds based on their respective participation and in accordance with generally accepted accounting principles. All costs related to investing, maintaining, and accounting for the investments purchased for the Treasury Pool, as authorized by California Government Code Section 27013, shall be apportioned equally on the same basis.

III. GENERAL OBJECTIVES

The overriding objectives of the investment program are to preserve principal, provide sufficient liquidity, and manage investment risks. The specific objectives for the program are ranked in order of importance:

1. ***Safety***: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
2. ***Liquidity***: The investment portfolio will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
3. ***Return on Investments***: The investment portfolio will be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints for safety and liquidity needs. Yield is definitely considered to be of much less importance than safety and liquidity and shall not be a driving force in determining which investments are selected for purchase.

IV. PRUDENCE, INDEMNIFICATION, AND ETHICS

- A. ***Prudent Investor Standard***: Management of the County's investments is governed by the Prudent Investor Standard as set forth in California Government Code Section 53600.3:

“...all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the County, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.”

- B. ***Indemnification***: The Treasurer and other authorized persons responsible for managing County funds, acting in accordance with the investment policy and exercising due diligence, will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported within 30 days and appropriate action is taken to control adverse developments.
- C. ***Ethics***: Officers and employees involved in the investment process will refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. DELEGATION OF AUTHORITY

- A. Authority to manage the County's investment program is derived from California Government Code Sections 53600 *et seq.* The governing body is responsible for the County's cash management, including the administration of this Investment Policy. Management responsibility for the cash management of County funds is hereby delegated to the Treasurer.

The Treasurer will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate employees.

- B. The County may engage the services of one or more external investment managers to assist in the management of the County's investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

VI. AUTHORIZED FINANCIAL INSTITUTIONS, DEPOSITORIES, AND BROKER/DEALERS

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

- A. The County Treasurer will determine which financial institutions are authorized to provide investment services to the County. Institutions eligible to transact investment business with the County include:
 - 1. Primary government dealers as designated by the Federal Reserve Bank;
 - 2. Non-primary government dealers;
 - 3. Nationally or state-chartered banks;
 - 4. The Federal Reserve Bank; and,
 - 5. Direct issuers of securities eligible for purchase.
- B. Selection of financial institutions and broker/dealers authorized to engage in transactions with the County will be at the sole discretion of the County.
- C. All financial institutions which desire to become qualified bidders for investment transactions (and which are not dealing only with the investment adviser) must supply the Treasurer with a statement certifying that the institution has reviewed the California Government Code Section 53600 *et seq.* and the County's Investment Policy.

- D. Selection of broker/dealers used by an external investment adviser retained by the County will be at the sole discretion of the investment adviser.
- E. Public deposits will be made only in qualified public depositories as established by State law. Deposits will be insured by the Federal Deposit Insurance Corporation, or, to the extent the amount exceeds the insured maximum, will be collateralized in accordance with State law.

VII. DELIVERY, SAFEKEEPING AND CUSTODY, AND COMPETITIVE TRANSACTIONS

- A. *Delivery-versus-payment*: Settlement of all investment transactions will be completed using standard delivery-vs.-payment procedures.
- B. *Third-party safekeeping*: To protect against potential losses by collapse of individual securities dealers, and to enhance access to securities, interest payments and maturity proceeds, all securities owned by the County will be held in safekeeping by a third party bank custodian, acting as agent for the County under the terms of a custody agreement executed by the bank and the County.
- C. *Competitive transactions*: All investment transactions will be conducted on a competitive basis which can be executed through a bidding process involving at least three separate brokers/financial institutions to the extent possible or through the use of a nationally recognized trading platform.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

All investments will be made in accordance with Sections 53600 *et seq.* of the Government Code of the State of California and as described within this Investment Policy. Percentage holding limits and credit rating minimums are applicable at the time the security is purchased. Permitted investments under this policy will include:

1. **Municipal Securities.** These include obligations of the County, the State of California, and any local Agency within the State of California. In addition, Municipal Securities include obligations of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California. The bonds will be registered in the name of the County or held under a custodial agreement at a bank. The securities are rated in a rating category of “A” or higher by at least one nationally recognized statistical rating organization (NRSRO).
 - a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,
 - b. No more than five percent per issuer.

- c. No more than 30% of the portfolio may be invested in Municipal Securities.
- 2. **U.S. Treasury** and other government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest. There are no limits on the dollar amount or percentage that the County may invest in U.S. Treasuries.
 - a. The maximum maturity of an issue shall be no more than five years at time of purchase.
- 3. **Federal Agency** or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There are no limits on the dollar amount or percentage that the County may invest in government-sponsored enterprises.
 - a. The maximum maturity of an issue shall be no more than five years at time of purchase; and,
 - b. No more than 25% of the pool value shall be invested in any single issuer.
- 4. **Banker's Acceptances** provided that:
 - a. They are issued by institutions with short term debt obligations rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and have long-term debt obligations which are rated in the rating category of "A" or higher by at least two NRSROs;
 - b. The maturity does not exceed 180 days; and,
 - c. No more than 40% of the total portfolio may be invested in banker's acceptances; and,
 - d. No more than five percent per issuer.
- 5. **Federally Insured Time Deposits** (Non-negotiable certificates of deposit) in state or federally chartered banks, savings and loans, or credit unions, provided that:
 - a. The amount per institution is limited to the maximum covered under federal insurance; and,
 - b. The maturity of such deposits does not exceed five years; and,
 - c. No more than five percent per issuer.

6. **Supranationals** provided that:
 - a. Issues are unsubordinated obligations issued by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank; and,
 - b. The securities are rated in the rating category of “AA” or higher by two NRSROs; and,
 - c. No more than 30% of the total portfolio may be invested in these securities; and,
 - d. No more than 10% of the portfolio per issuer; and,
 - e. The maximum maturity does not exceed five years.
7. **Time Deposits (Non-negotiable certificates of deposit)** in state or federally chartered banks, savings and loans, or credit unions in excess of insured amounts which are fully collateralized with securities in accordance with California law, provided that:
 - a. No more than 20% of the portfolio will be invested in a combination of federally insured and collateralized time deposits; and,
 - b. The maturity of such deposits does not exceed five years; and,
 - c. No more than five percent per issuer.
8. **Certificate of Deposit Placement Service (CDARS)** provided that:
 - a. No more than 30% of the total portfolio may be invested in a combination of negotiable certificates of deposit including CDARS; and,
 - b. The maturity of such deposits does not exceed five years.
9. **Negotiable Certificates of Deposit (NCDs)** provided that:
 - a. They are issued by institutions which have long-term obligations which are rated in the rating category of “A” or higher by at least two NRSROs; and/or have short term debt obligations rated in the rating category of “A-1” or higher, or the equivalent, by at least two NRSROs; and,
 - b. The maturity does not exceed five years; and,
 - c. No more than 30% of the total portfolio may be invested in NCDs; and,
 - d. No more than five percent per issuer.

10. Repurchase Agreements collateralized with securities authorized under Sections VI and VIII (2 and 3) of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that:

- a. The maximum maturity of repurchase agreements will be one year; and,
- b. There is no limit to the amount to be invested in repurchase agreements; and
- c. Securities used as collateral for repurchase agreements will be delivered to the County's custodian bank (See Section VII B); and,
- d. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement will be substantially in the form developed by the Securities Industry and Financial Markets Association (SIFMA).

11. Commercial Paper provided that:

- a. The maturity does not exceed 270 days from the date of purchase; and,
- b. The issuer is a corporation organized and operating in the United States with assets in excess of \$500 million; and,
- c. They are issued by institutions whose short term obligations are rated in the rating category of "A-1" or higher, or the equivalent, by at least two NRSROs; and whose long-term obligations are rated in the rating category of "A" or higher by at least two NRSROs; and,
- d. No more than 40% of the portfolio is invested in commercial paper; and,
- e. No more than five percent per issuer.

12. State of California Local County Investment Fund (LAIF), provided that:

- a. The County may invest up to the maximum permitted amount in LAIF; and,
- b. LAIF's investments in instruments prohibited by or not specified in the County's policy do not exclude it from the County's list of allowable investments, provided that the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.

13. Local Government Investment Pools

14. Corporate Medium Term Notes (MTNs), provided that:

- a. Such notes have a maximum maturity of five years; and,
 - b. Are issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States; and,
 - c. Are rated in the rating category of “A” or better by at least two NRSROs; and,
 - d. Holdings of medium-term notes may not exceed 30% of the portfolio; and,
 - e. No more than five percent per issuer.
15. **Mortgage Pass-Through Securities and Asset-Backed Securities**, provided that such securities:
- a. Have a maximum stated final maturity of five years; and
 - b. Be rated in a rating category of “AA” or its equivalent or better by at least two NRSROs; and,
 - c. Purchase of securities authorized by this subdivision may not exceed 20% of the portfolio.
 - d. No more than five percent of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage security issuer. There is no issuer limitation on any Mortgage security where the issuer is the US Treasury or a federal agency/government-sponsored entity.
16. **Mutual Funds and Money Market Mutual Funds** that are registered with the Securities and Exchange Commission under the Investment Company Act of 1940:
- a. Provided that such funds meet either of the following criteria:
 - 1. Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs; or,
 - 2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of \$500 million.
 - b. Purchase of Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 10% in any one mutual fund. Money Market Mutual Funds authorized by this subdivision may not exceed 20% of the portfolio, with no more than 20% in any one money market mutual fund.

- c. No more than 20% of the total portfolio may be invested in a combination of Mutual Funds and Money Market Mutual Funds.

IX. PORTFOLIO RISK MANAGEMENT

A. Prohibited investment vehicles and practices:

1. State law notwithstanding, any investments not specifically described herein are prohibited, including, but not limited to futures and options.
2. In accordance with California Government Code Section 53601.6, investment in inverse floaters, range notes, or mortgage derived interest-only strips is prohibited.
3. Purchasing securities with a final maturity longer than five years, unless approved by the Board of Supervisors, is prohibited.
4. Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.
5. Trading securities for the sole purpose of speculating on the future direction of interest rates is prohibited.
6. Purchasing or selling securities on margin is prohibited.
7. The use of reverse repurchase agreements, securities lending or any other form of borrowing or leverage is prohibited.
8. The purchase of foreign currency denominated securities is prohibited.

B. Mitigating credit risk in the portfolio: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The County will mitigate credit risk by adopting the following strategies:

1. The diversification requirements included in Section VIII are designed to mitigate credit risk in the portfolio;
2. No more than five percent of the total portfolio may be invested in securities of any single issuer, unless otherwise specified in this policy;
3. The County may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity, or yield of the portfolio in response to market conditions or County's risk preferences; and,
4. If a security's credit ratings owned by the County are downgraded to a level below the quality required by this Investment Policy, it will be the County's policy to review

the credit situation and make a determination as to whether to sell or retain such securities in the portfolio.

- a. If a security is downgraded below the minimum required by this investment policy, the Treasurer will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors.
- b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported quarterly to the governing board.

C. *Mitigating market risk in the portfolio:* Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The County recognizes that, over time, longer-term portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The County will mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The County further recognizes that certain types of securities, including variable rate securities, securities with principal paydowns prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The County, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

1. The County will maintain a minimum of three months of budgeted operating expenditures in short term investments to provide sufficient liquidity for expected disbursements;
2. The maximum percent of callable securities (does not include “make whole call” securities as defined in the Glossary) in the portfolio will be 20%;
3. The maximum stated final maturity of individual securities in the portfolio will be five years, except as otherwise stated in this policy; and,
4. The duration of the portfolio will at all times be approximately equal to the duration (typically plus or minus 20%) of a Market Benchmark Index selected by the County based on the County’s investment objectives, constraints, and risk tolerances.

X. INVESTMENT OBJECTIVES (PERFORMANCE STANDARDS AND EVALUATION)

- A. **Overall objective:** The investment portfolio will be designed with the overall objective of obtaining a total rate of return throughout economic cycles, commensurate with investment risk constraints and cash flow needs.
- B. **Specific objective:** The investment performance objective for the portfolio will be to earn a total rate of return over a market cycle which is approximately equal to the return on the selected Market Benchmark Index.

XI. SOCIAL AND ENVIRONMENTAL CONCERNS

In the event all general objectives mandated by state law and set forth in Section III above are met and created equal, investments in corporate securities and depository institutions will be evaluated for social and environmental concerns. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability, or sexual orientation, as well as those entities that practice environmentally sound and fair labor practices. Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacco products, firearms, or weapons not used in our national defense.

XII. PROCEDURES AND INTERNAL CONTROLS

- A. *Procedures*: The Treasurer will establish written investment policy procedures in a separate investment procedures manual to assist investment staff with day-to-day operations of the investment program consistent with this policy. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy as designated in Appendix I and the procedures established by the Treasurer.
- B. *Internal Controls*: The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. Internal controls will be described in the County's investment procedures manual.

XIII. DEPOSIT AND WITHDRAWAL OF FUNDS

- A. *Deposits*: Funds will be accepted at all times from those local agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the Treasury Pool. The County Treasurer, in conjunction with the Auditor, shall set conditions under which funds from local agencies not required to have their funds in the Treasury Pool may deposit voluntarily invested funds. Local agencies from outside the County will not be permitted to deposit funds in the Treasury Pool.
- B. *Withdrawals*: Under language added to the California Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds in the Treasury Pool, to withdraw funds in order to invest outside the Treasury Pool. Local agencies within the County who voluntarily participate in the Treasury Pool may withdraw their funds under conditions set forth in California Government Code Section 27136.

XIV. REPORTING, DISCLOSURE, AND PROGRAM EVALUATION

- A. *Monthly Reports:* Monthly investment reports will be distributed electronically by the Treasurer to the governing board and pool participants. These reports will disclose, at a minimum, the following information about the risk characteristics of the County's portfolio:
1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, date of maturity, and interest rate;
 2. A one-page summary report that shows:
 - a. Average maturity of the portfolio and modified duration of the portfolio;
 - b. Maturity distribution of the portfolio;
 - c. Average portfolio credit quality.
- B. *Quarterly Reports:* Investment reports will be provided to the Board of Supervisors on a quarterly basis. The quarterly report shall be submitted within 30 days following the end of the quarter. These reports will disclose all information provided in the monthly reports, as well as the following:
1. A statement of compliance with investment policy, including a schedule of any transactions or holdings which do not comply with this policy or with the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution; and,
 2. A statement that the County has adequate funds to meet its cash flow requirements for the next six months.
- C. *Annual Reports:*
1. The investment policy will be reviewed and adopted by the Board of Supervisors at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends.
 2. A comprehensive annual report will be issued at the conclusion of each fiscal year. This report will include comparisons of the County's return to the Benchmark Index return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.
- D. *Annual Audit:* An independent review by an external expert will be conducted annually to assure compliance with internal controls and adherence to the Investment Policy.

Policy approved by the Mendocino County Board of Supervisors on January 8, 2019.

Appendix I

Authorized Personnel

While the Treasurer has final responsibility for all investment decisions, other Treasury personnel may aid in the day-to-day operations, the following job classes are authorized to transact investment business and wire funds for investment purposes on behalf of the County of Mendocino:

Assistant Treasurer-Tax Collector
Deputy Treasurer-Tax Collector (Treasurer Division)
Treasury Specialist

Appendix II

GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by a *government-sponsored entity (GSE)*, or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called “FreddieMac” issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as “FannieMae,” issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as “GinnieMae,” issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER’S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which “accepts” the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

CERTIFICATE OF DEPOSIT (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

COLLATERAL. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATIONS (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

COMMERCIAL PAPER. The short-term unsecured debt of corporations.

COST YIELD. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

COUPON. The rate of return at which interest is paid on a bond.

CREDIT RISK. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

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

DEALER. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

DEBENTURE. A bond secured only by the general credit of the issuer.

DELIVERY VS. PAYMENT (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

DERIVATIVE. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

DISCOUNT. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates. (See modified duration).

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL OPEN MARKET COMMITTEE. A committee of the Federal Reserve Board that establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

LEVERAGE. Borrowing funds in order to invest in securities that have the potential to pay earnings at a rate higher than the cost of borrowing.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

LOCAL AGENCY INVESTMENT FUND (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

LOCAL GOVERNMENT INVESTMENT POOL. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

MAKE WHOLE CALL. A type of call provision on a bond that allows the issuer to pay off the remaining debt early. Unlike a call option, with a make whole call provision, the issuer makes a lump sum payment that equals the net present value (NPV) of future coupon payments that will not be paid because of the call. With this type of call, an investor is compensated, or "made whole."

MARGIN. The difference between the market value of a security and the loan a broker makes using that security as collateral.

MARKET RISK. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

MARKET VALUE. The price at which a security can be traded.

MARKING TO MARKET. The process of posting current market values for securities in a portfolio.

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

MEDIUM TERM NOTES. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION. The percent change in price for a 100 basis point change in yields. Modified duration is the best single measure of a portfolio's or security's exposure to market risk.

MONEY MARKET. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

MORTGAGE PASS-THROUGH SECURITIES. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

MUNICIPAL SECURITIES. Securities issued by state and local agencies to finance capital and operating expenses.

MUTUAL FUND. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

NATIONALLY RECOGNIZED STATISTICAL RATINGS ORGANIZATION (NRSRO).

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

NEGOTIABLE CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

PREMIUM. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PREPAYMENT SPEED. A measure of how quickly principal is repaid to investors in mortgage securities.

PREPAYMENT WINDOW. The time period over which principal repayments will be received on mortgage securities at a specified prepayment speed.

PRIMARY DEALER. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

PRUDENT PERSON (PRUDENT INVESTOR) RULE. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

REALIZED YIELD. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

REGIONAL DEALER. A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT. Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

SAFEKEEPING. A service to bank customers whereby securities are held by the bank in the customer's name.

STRUCTURED NOTE. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling,

and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD TO MATURITY. The annualized internal rate of return on an investment which equates the expected cash flows from the investment to its cost.



PORTFOLIO CHARACTERISTICS

Average Modified Duration	0.96
Average Coupon	1.65%
Average Purchase YTM	1.72%
Average Market YTM	1.43%
Average S&P/Moody Rating	AA+/Aa1
Average Final Maturity	0.99 yrs
Average Life	0.98 yrs

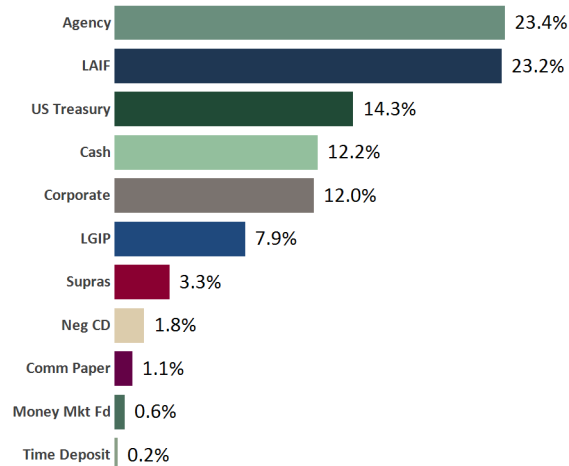
ACCOUNT SUMMARY

	Beg. Values as of 12/31/19	End Values as of 1/31/20
Market Value	282,924,248	279,269,599
Accrued Interest	930,708	852,799
Total Market Value	283,854,956	280,122,398
Income Earned	340,828	428,729
Cont/WD		
Par	282,185,596	277,909,749
Book Value	281,688,780	277,435,153
Cost Value	281,370,987	277,113,744

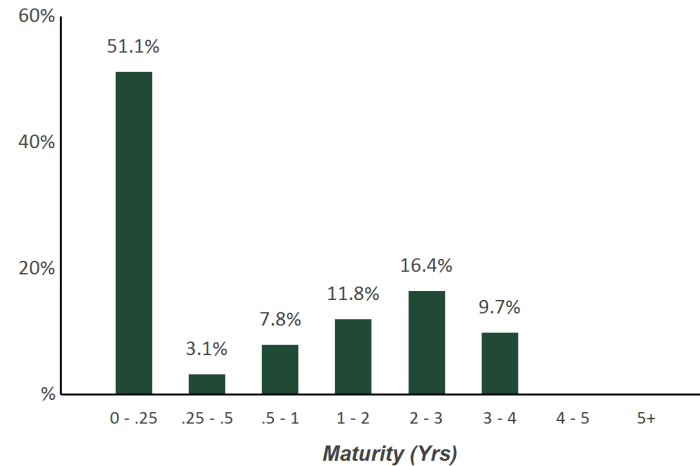
TOP ISSUERS

Local Agency Investment Fund	23.2%
Government of United States	14.3%
Custodial Checking Account	12.0%
Federal Home Loan Bank	11.8%
CAMP	7.9%
Federal National Mortgage Assoc	5.0%
Federal Farm Credit Bank	3.6%
Federal Home Loan Mortgage Corp	3.0%
Total	80.9%

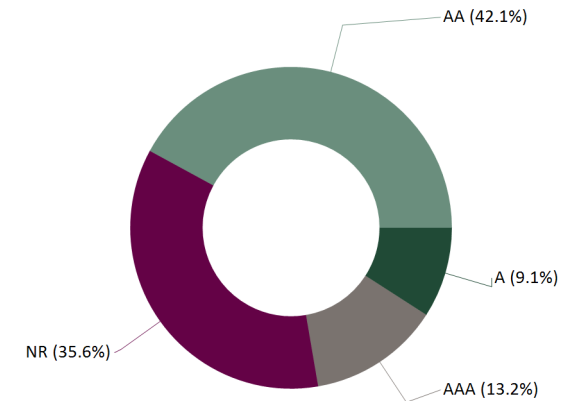
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



Statement of Compliance

As of January 31, 2020



County of Mendocino Consolidated

This portfolio is a consolidation of assets managed by Chandler Asset Management and assets managed internally by Client. Chandler relies on Client to provide accurate information for reporting assets and producing this compliance statement.

Category	Standard	Comment
Municipal Issues	"A" rated category or higher by a NRSRO; 5% per issuer; Include bonds of the County, State of California, any other state, and any local County within the State of California	Complies
Treasury Issues	No limitation	Complies
Agency Issues	25% max per issuer	Complies
Supranationals	"AA" rated category or higher by two NRSROs; 30% maximum; 10% per issuer; Unsubordinated obligations issued by IBRD, IFC, IADB	Complies
Banker's Acceptances	"A-1" or higher short term ratings by two NRSROs; and "A" rated or higher long term debt by two NRSROs; 40% maximum; 5% per issuer; 180 days max maturity	Complies
Commercial Paper	"A-1" or higher short term ratings by two NRSROs; and "A" rated or higher long term debt by two NRSROs; 40% maximum; 5% per issuer; 270 days max maturity; Issuer is a corporation organized and operating in the U.S. with assets in excess of \$500 million	Complies
Negotiable Certificates of Deposit	"A" or higher long term ratings by two NRSROs; and/or "A-1" or higher short term ratings by two NRSROs; 30% maximum (includes CDARS); 5% per issuer	Complies
Corporate Medium Term Notes	"A" rated or better by two NRSROs; 30% maximum; 5% per issuer; Issued by corporations organized and operating within U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	Complies
Mutual Funds and Money Market Mutual Funds	Highest rating or "AAA" rated by two NRSROs; or SEC registered adviser with AUM >\$500 million and experience greater than 5 years; 20% maximum in Mutual Funds; 10% max per Mutual Fund; 20% maximum in Money Market Mutual Funds; 20% max per Money Market Mutual Fund	Complies
FDIC insured Time Deposits/ Certificates of Deposit	Amount per institution limited to the max covered under FDIC; 20% maximum (combination of FDIC insured and collateralized TDs/ CDs); 5% per issuer	Complies
Collateralized Time Deposits/ Certificates of Deposit	20% maximum (combination of FDIC insured and collateralized TDs/ CDs); 5% per issuer	Complies
Asset Backed Securities (ABS) and Mortgage Pass Throughs (MPTs)	"AA" rated or better by two NRSROs; "A" rated or higher for the issuer's debt by two NRSROs; 20% maximum; 5% per issuer in Asset Backed or Commercial Mortgage security issuer. No issuer limitation on any Mortgage security where the issuer is U.S. Treasury or Federal agency/GSE	Complies
Local Agency Investment Fund (LAIF)/ Local Government Investment Pools	Maximum permitted amount by LAIF	Complies
Repurchase Agreements	No limitation; 1 year maximum maturity; 102% collateralized	Complies
Prohibited	Inverse floaters; ranges notes; interest-only strips from mortgaged backed securities; zero interest accrual securities; Securities with maturity longer than 5 years (unless approved by the Board of Supervisors); Margin; Reverse Repurchase Agreements, Securities lending; Foreign currency denominated securities; <u>Social and Environmental Concerns</u> : Investments are discouraged in entities that receive a significant portion of their revenues from the manufacturer of tobacco products, firearms, or weapons not used in our national defense.	Complies
Maximum Callables	20% max of callable securities (does not include "make whole call")	Complies
Maximum Per Issuer	5% max per issuer, unless otherwise specified in the policy	Complies
Maximum maturity	5 years maximum maturity	Complies

Holdings Report

As of January 31, 2020



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3135G0T29	FNMA Note 1.5% Due 2/28/2020	2,600,000.00	Various 1.52%	2,598,252.00 2,599,956.90	99.99 1.60%	2,599,768.60 16,575.00	0.93% (188.30)	Aaa / AA+ AAA	0.08 0.08
3133EHFL2	FFCB Note 1.55% Due 4/13/2020	1,450,000.00	04/27/2017 1.57%	1,449,014.00 1,449,934.33	99.99 1.59%	1,449,863.70 6,742.50	0.52% (70.63)	Aaa / AA+ AAA	0.20 0.20
3137EAEF2	FHLMC Note 1.375% Due 4/20/2020	1,800,000.00	04/19/2017 1.48%	1,794,258.00 1,799,586.11	99.99 1.44%	1,799,740.80 6,943.75	0.64% 154.69	Aaa / AA+ AAA	0.22 0.22
3137EADR7	FHLMC Note 1.375% Due 5/1/2020	1,600,000.00	10/21/2015 1.38%	1,599,579.20 1,599,977.09	99.95 1.58%	1,599,179.20 5,500.00	0.57% (797.89)	Aaa / AA+ AAA	0.25 0.25
313383HU8	FHLB Note 1.75% Due 6/12/2020	1,700,000.00	07/28/2017 1.57%	1,708,449.00 1,701,065.20	100.07 1.55%	1,701,179.80 4,049.31	0.61% 114.60	Aaa / AA+ NR	0.36 0.36
3130ACE26	FHLB Note 1.375% Due 9/28/2020	2,000,000.00	09/22/2017 1.65%	1,983,940.00 1,996,492.81	99.86 1.59%	1,997,246.00 9,395.83	0.72% 753.19	Aaa / AA+ NR	0.66 0.65
3137EAEJ4	FHLMC Note 1.625% Due 9/29/2020	2,250,000.00	09/28/2017 1.67%	2,247,097.50 2,249,361.77	100.01 1.61%	2,250,245.25 12,390.63	0.81% 883.48	Aaa / AA+ AAA	0.66 0.65
3137EAEK1	FHLMC Note 1.875% Due 11/17/2020	800,000.00	11/27/2017 1.95%	798,368.00 799,563.80	100.29 1.51%	802,285.60 3,083.33	0.29% 2,721.80	Aaa / AA+ AAA	0.80 0.78
3130A3UQ5	FHLB Note 1.875% Due 12/11/2020	2,000,000.00	02/12/2018 2.32%	1,975,680.00 1,992,600.31	100.31 1.51%	2,006,204.00 5,208.33	0.72% 13,603.69	Aaa / AA+ NR	0.86 0.85
3130A7CV5	FHLB Note 1.375% Due 2/18/2021	2,000,000.00	02/23/2016 1.43%	1,994,480.00 1,998,839.01	99.85 1.52%	1,996,948.00 12,451.39	0.72% (1,891.01)	Aaa / AA+ AAA	1.05 1.03
3135G0J20	FNMA Note 1.375% Due 2/26/2021	2,500,000.00	03/17/2016 1.52%	2,482,725.00 2,496,259.95	99.90 1.47%	2,497,452.50 14,800.35	0.90% 1,192.55	Aaa / AA+ AAA	1.07 1.05
313379RB7	FHLB Note 1.875% Due 6/11/2021	2,400,000.00	08/30/2017 1.65%	2,419,562.40 2,407,031.12	100.56 1.46%	2,413,437.60 6,250.00	0.86% 6,406.48	Aaa / AA+ AAA	1.36 1.34
3130A8QS5	FHLB Note 1.125% Due 7/14/2021	2,600,000.00	08/09/2016 1.25%	2,584,400.00 2,595,412.78	99.68 1.35%	2,591,755.40 1,381.25	0.93% (3,657.38)	Aaa / AA+ AAA	1.45 1.43
3130AHSR5	FHLB Note 1.625% Due 12/20/2021	2,090,000.00	12/19/2019 1.68%	2,087,742.80 2,087,875.58	100.43 1.39%	2,099,081.05 3,867.95	0.75% 11,205.47	Aaa / AA+ AAA	1.89 1.85
3137EADB2	FHLMC Note 2.375% Due 1/13/2022	2,000,000.00	07/30/2018 2.86%	1,968,440.00 1,982,194.36	101.90 1.38%	2,038,046.00 2,375.00	0.73% 55,851.64	Aaa / AA+ AAA	1.95 1.90
313378WG2	FHLB Note 2.5% Due 3/11/2022	3,000,000.00	04/09/2018 2.65%	2,983,650.00 2,991,213.73	102.31 1.38%	3,069,414.00 29,166.67	1.11% 78,200.27	Aaa / AA+ NR	2.11 2.04



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
AGENCY									
3135G0T45	FNMA Note 1.875% Due 4/5/2022	2,900,000.00	06/21/2017 1.87%	2,901,218.00 2,900,553.26	101.08 1.37%	2,931,424.40 17,520.83	1.05% 30,871.14	Aaa / AA+ AAA	2.18 2.12
313379Q69	FHLB Note 2.125% Due 6/10/2022	2,215,000.00	06/06/2018 2.81%	2,157,500.82 2,181,223.16	101.76 1.36%	2,254,052.67 6,668.07	0.81% 72,829.51	Aaa / AA+ AAA	2.36 2.29
3130A5P45	FHLB Note 2.375% Due 6/10/2022	1,500,000.00	05/21/2019 2.26%	1,505,190.00 1,504,003.05	102.20 1.42%	1,532,991.00 5,046.88	0.55% 28,987.95	Aaa / AA+ AAA	2.36 2.28
313383WD9	FHLB Note 3.125% Due 9/9/2022	2,200,000.00	01/16/2019 2.66%	2,235,266.00 2,225,197.57	104.53 1.35%	2,299,646.80 27,118.06	0.83% 74,449.23	Aaa / AA+ AAA	2.61 2.48
3135G0T78	FNMA Note 2% Due 10/5/2022	3,000,000.00	05/20/2019 2.22%	2,979,030.00 2,983,383.87	101.72 1.34%	3,051,594.00 19,333.33	1.10% 68,210.13	Aaa / AA+ AAA	2.68 2.59
3133EKHN9	FFCB Note 2.33% Due 10/18/2022	3,000,000.00	05/01/2019 2.32%	3,001,380.00 3,001,080.00	102.32 1.45%	3,069,621.00 19,999.17	1.10% 68,541.00	Aaa / AA+ AAA	2.72 2.61
313381BR5	FHLB Note 1.875% Due 12/9/2022	3,000,000.00	Various 2.45%	2,931,075.00 2,953,065.78	101.41 1.37%	3,042,186.00 8,125.00	1.09% 89,120.22	Aaa / AA+ AAA	2.86 2.77
3135G0T94	FNMA Note 2.375% Due 1/19/2023	2,700,000.00	03/18/2019 2.46%	2,691,819.00 2,693,680.44	102.94 1.36%	2,779,442.10 2,137.50	0.99% 85,761.66	Aaa / AA+ AAA	2.97 2.86
3130ADRG9	FHLB Note 2.75% Due 3/10/2023	3,000,000.00	03/28/2019 2.24%	3,057,120.00 3,044,880.00	104.11 1.39%	3,123,426.00 32,312.50	1.13% 78,546.00	Aaa / AA+ NR	3.11 2.95
3133834G3	FHLB Note 2.125% Due 6/9/2023	2,750,000.00	06/10/2019 2.00%	2,763,035.00 2,760,935.46	102.36 1.40%	2,814,916.50 8,440.97	1.01% 53,981.04	Aaa / AA+ NR	3.36 3.23
3133EKS7	FFCB Note 1.77% Due 6/26/2023	2,500,000.00	06/21/2019 1.89%	2,488,375.00 2,490,125.51	101.06 1.45%	2,526,585.00 4,302.08	0.90% 36,459.49	Aaa / AA+ AAA	3.40 3.29
3133EKZK5	FFCB Note 1.6% Due 8/14/2023	3,000,000.00	08/09/2019 1.63%	2,996,040.00 2,996,503.49	100.50 1.45%	3,015,135.00 22,266.67	1.08% 18,631.51	Aaa / AA+ AAA	3.54 3.40
Total Agency		64,555,000.00	1.99%	64,382,686.72 64,481,996.44	1.44%	65,352,867.97 313,452.35	23.44% 870,871.53	Aaa / AA+ AAA	1.94 1.87
CASH									
90CHECK\$1	Checking Deposit Bank Account	33,632,437.57	Various 0.00%	33,632,437.57 33,632,437.57	1.00 0.00%	33,632,437.57 0.00	12.01% 0.00	NR / NR NR	0.00 0.00



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CASH									
90CASH\$00	Cash Custodial Cash Account	578,317.39	Various 0.00%	578,317.39 578,317.39	1.00 0.00%	578,317.39 0.00	0.21% 0.00	NR / NR NR	0.00 0.00
Total Cash		34,210,754.96	N/A	34,210,754.96 34,210,754.96	0.00%	34,210,754.96 0.00	12.21% 0.00	NR / NR NR	0.00 0.00
COMMERCIAL PAPER									
62479LDV4	MUFG Bank Ltd Discount CP 1.9% Due 4/29/2020	3,000,000.00	10/29/2019 1.95%	2,971,025.00 2,986,066.67	99.54 1.95%	2,986,066.67 0.00	1.07% 0.00	P-1 / A-1 NR	0.24 0.24
Total Commercial Paper		3,000,000.00	1.95%	2,971,025.00 2,986,066.67	1.95%	2,986,066.67 0.00	1.07% 0.00	Aaa / AA NR	0.24 0.24
CORPORATE									
037833AX8	Apple Inc Note 1.55% Due 2/7/2020	1,850,000.00	Various 1.54%	1,852,225.00 1,850,002.26	100.00 1.54%	1,849,920.45 13,700.28	0.67% (81.81)	Aa1 / AA+ NR	0.02 0.02
22160KAG0	Costco Wholesale Corp Note 1.75% Due 2/15/2020	1,700,000.00	11/01/2016 1.57%	1,709,894.00 1,700,115.62	100.00 1.76%	1,699,984.70 13,718.06	0.61% (130.92)	Aa3 / A+ NR	0.04 0.04
747525AD5	Qualcomm Inc Note 2.25% Due 5/20/2020	1,700,000.00	10/06/2016 1.67%	1,734,408.00 1,702,849.90	100.16 1.72%	1,702,660.50 7,543.75	0.61% (189.40)	A2 / A- NR	0.30 0.30
437076BQ4	Home Depot Note 1.8% Due 6/5/2020	200,000.00	06/12/2017 1.77%	200,150.00 200,017.27	100.03 1.71%	200,059.00 560.00	0.07% 41.73	A2 / A A	0.35 0.34
458140AQ3	Intel Corp Note 2.45% Due 7/29/2020	1,750,000.00	01/24/2017 2.00%	1,776,775.00 1,753,747.24	100.38 1.67%	1,756,721.75 238.19	0.63% 2,974.51	A1 / A+ A+	0.49 0.49
857477AS2	State Street Bank Note 2.55% Due 8/18/2020	1,590,000.00	12/11/2017 2.19%	1,604,993.70 1,593,047.75	100.46 1.71%	1,597,263.12 18,357.87	0.58% 4,215.37	A1 / A AA-	0.55 0.54
02665WAZ4	American Honda Finance Note 2.45% Due 9/24/2020	1,800,000.00	02/14/2017 2.25%	1,812,492.00 1,802,241.91	100.51 1.65%	1,809,180.00 15,557.50	0.65% 6,938.09	A2 / A NR	0.65 0.64
594918BG8	Microsoft Callable Note Cont. 10/3/2020 2% Due 11/3/2020	2,000,000.00	12/03/2015 2.01%	1,999,240.00 1,999,882.95	100.25 1.61%	2,005,050.00 9,777.78	0.72% 5,167.05	Aaa / AAA AA+	0.76 0.67

Holdings Report

As of January 31, 2020



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
00440EAT4	Chubb INA Holdings Inc Callable Note Cont 10/3/2020 2.3% Due 11/3/2020	1,500,000.00	07/25/2019 2.27%	1,500,495.00 1,500,280.73	100.35 1.76%	1,505,287.50 8,433.33	0.54% 5,006.77	A3 / A A	0.76 0.66
44932HAG8	IBM Credit Corp Note 2.65% Due 2/5/2021	1,500,000.00	02/12/2018 2.72%	1,496,880.00 1,498,937.99	100.94 1.71%	1,514,037.00 19,433.33	0.55% 15,099.01	A2 / A NR	1.02 0.98
69353REW4	PNC Bank Callable Note Cont 3/30/2021 2.15% Due 4/29/2021	1,200,000.00	10/30/2019 1.97%	1,202,940.00 1,202,414.80	100.63 1.60%	1,207,545.60 6,593.33	0.43% 5,130.80	A2 / A A+	1.24 1.14
06406FAB9	Bank of NY Mellon Corp Callable Note Cont 4/3/2021 2.05% Due 5/3/2021	1,700,000.00	12/13/2016 2.50%	1,668,771.00 1,691,074.64	100.52 1.60%	1,708,848.50 8,518.89	0.61% 17,773.86	A1 / A AA-	1.25 1.15
808513AW5	Charles Schwab Corp Callable Note Cont 4/21/2021 3.25% Due 5/21/2021	1,775,000.00	Various 3.05%	1,784,554.00 1,779,033.61	102.04 1.56%	1,811,167.40 11,217.01	0.65% 32,133.79	A2 / A A	1.30 1.19
68389XBK0	Oracle Corp Callable Note Cont 8/15/2021 1.9% Due 9/15/2021	1,800,000.00	10/25/2017 2.20%	1,779,786.00 1,791,566.82	100.42 1.62%	1,807,525.80 12,920.00	0.65% 15,958.98	A1 / A+ A	1.62 1.50
91159HHP8	US Bancorp Callable Cont 12/23/2021 2.625% Due 1/24/2022	890,000.00	01/19/2017 2.66%	888,469.20 889,393.88	101.86 1.62%	906,560.23 454.27	0.32% 17,166.35	A1 / A+ AA-	1.98 1.85
74005PBA1	Praxair Callable Note Cont 11/15/2021 2.45% Due 2/15/2022	1,750,000.00	03/09/2018 2.96%	1,717,222.50 1,732,983.11	101.60 1.54%	1,778,012.25 19,770.14	0.64% 45,029.14	A2 / A NR	2.04 1.73
91159HHC7	US Bancorp Callable Note Cont 2/15/2022 3% Due 3/15/2022	1,000,000.00	04/12/2018 3.05%	997,970.00 998,901.90	102.79 1.60%	1,027,933.00 11,333.33	0.37% 29,031.10	A1 / A+ AA-	2.12 1.96
911312BC9	UPS Callable Note Cont 4/16/2022 2.35% Due 5/16/2022	1,240,000.00	04/10/2018 2.99%	1,209,632.40 1,223,038.83	101.66 1.58%	1,260,637.32 6,070.83	0.45% 37,598.49	A2 / A NR	2.29 2.14
69371RQ33	Paccar Financial Corp Note 2% Due 9/26/2022	1,000,000.00	09/23/2019 2.04%	998,780.00 998,922.48	100.97 1.62%	1,009,666.00 6,944.44	0.36% 10,743.52	A1 / A+ NR	2.65 2.56
89236TEL5	Toyota Motor Credit Corp Note 2.7% Due 1/11/2023	1,500,000.00	05/20/2019 2.66%	1,501,890.00 1,501,527.63	103.24 1.57%	1,548,673.50 2,250.00	0.55% 47,145.87	Aa3 / AA- A+	2.95 2.83
69371RQ41	Paccar Financial Corp Note 1.9% Due 2/7/2023	1,000,000.00	10/31/2019 1.90%	999,950.00 999,953.62	100.94 1.58%	1,009,350.00 4,433.33	0.36% 9,396.38	A1 / A+ NR	3.02 2.91
931142DH3	Wal-Mart Stores Callable Note Cont 1/11/2023 2.55% Due 4/11/2023	1,500,000.00	05/01/2019 2.62%	1,495,965.00 1,496,733.30	102.92 1.53%	1,543,786.50 11,687.50	0.56% 47,053.20	Aa2 / AA AA	3.19 2.82



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
CORPORATE									
037833AK6	Apple Inc Note 2.4% Due 5/3/2023	1,000,000.00	05/20/2019 2.65%	990,790.00 992,418.68	102.41 1.64%	1,024,141.00 5,866.67	0.37% 31,722.32	Aa1 / AA+ NR	3.25 3.11
Total Corporate		32,945,000.00	2.31%	32,924,272.80 32,899,086.92	1.63%	33,284,011.12 215,379.83	11.96% 384,924.20	A1 / A+ A+	1.38 1.28
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	65,000,000.00	Various 1.94%	65,000,000.00 65,000,000.00	1.00 1.94%	65,000,000.00 108,844.13	23.24% 0.00	NR / NR NR	0.00 0.00
Total LAIF		65,000,000.00	1.94%	65,000,000.00 65,000,000.00	1.94%	65,000,000.00 108,844.13	23.24% 0.00	NR / NR NR	0.00 0.00
LOCAL GOV INVESTMENT POOL									
90CAMP\$00	California Asset Mgmt Program CAMP	22,000,000.00	Various 1.75%	22,000,000.00 22,000,000.00	1.00 1.75%	22,000,000.00 0.00	7.85% 0.00	NR / AAA NR	0.00 0.00
Total Local Gov Investment Pool		22,000,000.00	1.75%	22,000,000.00 22,000,000.00	1.75%	22,000,000.00 0.00	7.85% 0.00	NR / AAA NR	0.00 0.00
MONEY MARKET FUND FI									
261908107	Dreyfus Trsy/Agcy Cash Management 521	1,703,994.47	Various 1.44%	1,703,994.47 1,703,994.47	1.00 1.44%	1,703,994.47 0.00	0.61% 0.00	Aaa / AAA NR	0.00 0.00
Total Money Market Fund FI		1,703,994.47	1.44%	1,703,994.47 1,703,994.47	1.44%	1,703,994.47 0.00	0.61% 0.00	Aaa / AAA NR	0.00 0.00
NEGOTIABLE CD									
06367BDS5	Bank of Montreal Chicago Yankee CD 2% Due 3/18/2020	3,000,000.00	12/19/2019 1.98%	3,000,148.44 3,000,075.87	100.00 1.98%	3,000,075.87 7,500.00	1.07% 0.00	P-1 / A-1 F-1	0.13 0.13
89114NBZ7	Toronto Dominion Bank NY Yankee CD 1.85% Due 6/3/2020	2,000,000.00	12/03/2019 1.85%	2,000,000.00 2,000,000.00	100.00 1.85%	2,000,000.00 6,063.89	0.72% 0.00	P-1 / A-1+ F-1+	0.34 0.34
Total Negotiable CD		5,000,000.00	1.93%	5,000,148.44 5,000,075.87	1.93%	5,000,075.87 13,563.89	1.79% 0.00	Aaa / AA+ AA+	0.21 0.21



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
SUPRANATIONAL									
4581X0CX4	Inter-American Dev Bank Note 1.625% Due 5/12/2020	1,375,000.00	04/05/2017 1.70%	1,371,741.25 1,374,707.70	100.01 1.58%	1,375,154.00 4,903.21	0.49% 446.30	Aaa / AAA AAA	0.28 0.28
459058GA5	Intl. Bank Recon & Development Note 1.625% Due 9/4/2020	2,000,000.00	08/22/2017 1.63%	1,999,580.00 1,999,917.68	100.04 1.56%	2,000,730.00 13,270.83	0.72% 812.32	Aaa / AAA AAA	0.59 0.58
45950KCM0	International Finance Corp Note 2.25% Due 1/25/2021	720,000.00	01/18/2018 2.35%	717,883.20 719,306.63	100.71 1.52%	725,126.40 270.00	0.26% 5,819.77	Aaa / AAA NR	0.99 0.97
45950KCJ7	International Finance Corp Note 1.125% Due 7/20/2021	1,600,000.00	11/29/2017 2.12%	1,544,832.00 1,577,758.19	99.53 1.45%	1,592,553.60 550.00	0.57% 14,795.41	Aaa / AAA NR	1.47 1.45
4581X0CN6	Inter-American Dev Bank Note 1.75% Due 4/14/2022	1,500,000.00	04/24/2018 2.92%	1,434,810.00 1,463,873.31	100.71 1.42%	1,510,648.50 7,802.08	0.54% 46,775.19	Aaa / AAA AAA	2.20 2.14
4581X0CZ9	Inter-American Dev Bank Note 1.75% Due 9/14/2022	2,000,000.00	05/04/2018 2.93%	1,904,540.00 1,942,603.92	100.99 1.36%	2,019,794.00 13,319.44	0.73% 77,190.08	Aaa / AAA AAA	2.62 2.54
Total Supranational		9,195,000.00	2.27%	8,973,386.45 9,078,167.43	1.47%	9,224,006.50 40,115.56	3.31% 145,839.07	Aaa / AAA AAA	1.44 1.40
TIME DEPOSIT									
90MEND\$09	Savings Bank of Mendocino Coun Time Deposit 0.3% Due 3/3/2020	250,000.00	03/03/2019 0.30%	250,000.00 250,000.00	100.00 0.30%	250,000.00 59.59	0.09% 0.00	NR / NR NR	0.09 0.09
90MEND\$10	Savings Bank of Mendocino Coun Time Deposit 0.3% Due 3/20/2020	250,000.00	03/20/2019 0.30%	250,000.00 250,000.00	100.00 0.30%	250,000.00 25.00	0.09% 0.00	NR / NR NR	0.13 0.14
Total Time Deposit		500,000.00	0.30%	500,000.00 500,000.00	0.30%	500,000.00 84.59	0.18% 0.00	NR / NR NR	0.11 0.11
US TREASURY									
912828VA5	US Treasury Note 1.125% Due 4/30/2020	2,600,000.00	Various 1.44%	2,572,789.96 2,598,083.99	99.88 1.62%	2,596,750.00 7,393.76	0.93% (1,333.99)	Aaa / AA+ AAA	0.25 0.25
912828L65	US Treasury Note 1.375% Due 9/30/2020	2,500,000.00	12/30/2015 1.79%	2,452,449.78 2,493,367.64	99.87 1.57%	2,496,777.50 11,646.17	0.90% 3,409.86	Aaa / AA+ AAA	0.67 0.66
912828L99	US Treasury Note 1.375% Due 10/31/2020	2,600,000.00	04/14/2016 1.20%	2,619,508.71 2,603,208.36	99.86 1.56%	2,596,445.80 9,133.93	0.93% (6,762.56)	Aaa / AA+ AAA	0.75 0.74



CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
US TREASURY									
912828P87	US Treasury Note 1.125% Due 2/28/2021	2,400,000.00	Various 1.45%	2,368,765.85 2,391,921.91	99.60 1.50%	2,390,438.40 11,423.08	0.86% (1,483.51)	Aaa / AA+ AAA	1.08 1.06
912828D72	US Treasury Note 2% Due 8/31/2021	2,400,000.00	12/28/2016 2.01%	2,398,508.04 2,399,495.39	100.95 1.39%	2,422,874.40 20,307.69	0.87% 23,379.01	Aaa / AA+ AAA	1.58 1.54
912828T34	US Treasury Note 1.125% Due 9/30/2021	3,000,000.00	08/29/2019 1.53%	2,975,390.63 2,980,396.47	99.57 1.38%	2,987,226.00 11,434.43	1.07% 6,829.53	Aaa / AA+ AAA	1.67 1.64
912828U81	US Treasury Note 2% Due 12/31/2021	1,000,000.00	01/30/2018 2.40%	984,960.94 992,648.74	101.20 1.36%	1,012,031.00 1,758.24	0.36% 19,382.26	Aaa / AA+ AAA	1.92 1.87
912828P4	US Treasury Note 1.875% Due 7/31/2022	3,000,000.00	12/28/2018 2.53%	2,932,851.56 2,953,232.24	101.35 1.32%	3,040,548.00 154.53	1.09% 87,315.76	Aaa / AA+ AAA	2.50 2.44
912828YA2	US Treasury Note 1.5% Due 8/15/2022	3,000,000.00	12/17/2019 1.65%	2,988,398.44 2,988,936.10	100.45 1.32%	3,013,476.00 20,788.04	1.08% 24,539.90	Aaa / AA+ AAA	2.54 2.47
912828L24	US Treasury Note 1.875% Due 8/31/2022	3,000,000.00	10/15/2019 1.60%	3,022,968.75 3,020,606.25	101.41 1.32%	3,042,423.00 23,798.08	1.09% 21,816.75	Aaa / AA+ AAA	2.58 2.50
912828M80	US Treasury Note 2% Due 11/30/2022	2,300,000.00	04/17/2019 2.38%	2,270,082.03 2,276,622.34	101.90 1.31%	2,343,752.90 7,918.03	0.84% 67,130.56	Aaa / AA+ AAA	2.83 2.74
912828R28	US Treasury Note 1.625% Due 4/30/2023	2,000,000.00	12/04/2019 1.60%	2,001,796.88 2,001,712.97	101.01 1.31%	2,020,156.00 8,303.57	0.72% 18,443.03	Aaa / AA+ AAA	3.25 3.14
912828R69	US Treasury Note 1.625% Due 5/31/2023	2,500,000.00	04/11/2019 2.30%	2,433,593.75 2,446,460.79	101.04 1.31%	2,525,880.00 6,992.83	0.90% 79,419.21	Aaa / AA+ AAA	3.33 3.23
912828S92	US Treasury Note 1.25% Due 7/31/2023	3,000,000.00	11/27/2019 1.62%	2,960,507.81 2,962,394.00	99.82 1.30%	2,994,492.00 103.02	1.07% 32,098.00	Aaa / AA+ AAA	3.50 3.41
912828T26	US Treasury Note 1.375% Due 9/30/2023	3,000,000.00	12/19/2019 1.71%	2,963,554.69 2,964,690.30	100.25 1.31%	3,007,383.00 13,975.41	1.08% 42,692.70	Aaa / AA+ AAA	3.67 3.55
912828T91	US Treasury Note 1.625% Due 10/31/2023	1,500,000.00	09/25/2019 1.60%	1,501,347.66 1,501,232.35	101.14 1.31%	1,517,167.50 6,227.68	0.54% 15,935.15	Aaa / AA+ AAA	3.75 3.61
Total US Treasury		39,800,000.00	1.78%	39,447,475.48 39,575,009.84	1.39%	40,007,821.50 161,358.49	14.34% 432,811.66	Aaa / AA+ AAA	2.24 2.17
TOTAL PORTFOLIO		277,909,749.43	1.72%	277,113,744.32 277,435,152.60	1.43%	279,269,599.06 852,798.84	100.00% 1,834,446.46	Aa1 / AA+ AAA	0.99 0.96
TOTAL MARKET VALUE PLUS ACCRUED						280,122,397.90			