

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 imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$5,000,666.75
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
(Counties of Humboldt and Mendocino, California)
General Obligation Bonds
2010 Election, Series B

Dated: Date of Delivery

Due: August 1, as shown below

Issuance. The Southern Humboldt Joint Unified School District General Obligation Bonds, 2010 Election, Series B (the "Bonds"), in the aggregate principal amount of \$5,000,666.75, are being issued by the Southern Humboldt Joint Unified School District (the "District") pursuant to a resolution of the Board of Trustees of the District adopted on August 11, 2011 (the "Resolution"). The Bonds were authorized at an election of the registered voters of the District held on June 8, 2010, which authorized the issuance of \$25,200,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The District previously issued its General Obligation Bonds, 2010 Election, Series A in the aggregate principal amount of \$8,000,000, leaving \$17,200,000 of remaining authorization. The Bonds will be the second series of bonds to be issued under this authorization.

Security. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Boards of Supervisors of Humboldt and Mendocino Counties have the power and are 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. The District currently has no other general obligation bonds outstanding that are similarly secured by tax levies.

Redemption. The Bonds are subject to optional redemption prior to maturity. See "THE BONDS – Optional 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 being issued as current interest bonds and capital appreciation bonds. Interest with respect to the Current Interest Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2012. The Capital Appreciation Bonds are dated the date of delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. Payments of principal and interest on the Bonds will be paid by the Treasurer Humboldt County, as paying agent ("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."

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. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about December 21, 2011.



MATURITY SCHEDULE

Base CUSIP[†]: 843059

\$2,390,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]
2013	\$35,000	3.000%	1.190%	BB1
2014	35,000	3.000	1.560	BC9
2016	25,000	3.000	2.180	BD7
2017	50,000	4.000	2.420	BE5
2018	80,000	4.000	2.700	BF2
2019	190,000	4.000	2.990	BG0
2020	230,000	4.000	3.250	BH8
2021	270,000	4.000	3.470	BJ4
2022	320,000	3.500	3.690	BK1
2023	360,000	3.625	3.870	BL9
2024	415,000	3.750	4.040	BM7
2025	380,000	4.000	4.160	BN5

\$2,610,666.75 Denominational Amount (\$13,535,000 Maturity Value) Capital Appreciation Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP [†]
2026	\$75,612.45	8.770%	5.820%	\$265,000	BP0
2027	81,176.60	8.770	5.990	310,000	BQ8
2028	85,313.60	8.770	6.100	355,000	BR6
2029	89,322.75	8.770	6.200	405,000	BS4
2030	91,084.50	8.770	6.300	450,000	BT2
2031	144,168.75	6.390	6.390	495,000	BU9
2032	146,403.35	6.480	6.480	545,000	BV7
2033	149,016.00	6.550	6.550	600,000	BW5
2034	149,058.00	6.620	6.620	650,000	BX3
2035	149,756.10	6.670	6.670	705,000	BY1
2036	255,775.45	6.700	6.700	1,295,000	BZ8
2037	249,320.00	6.720	6.720	1,355,000	CA2
2038	243,941.80	6.730	6.730	1,420,000	CB0
2039	238,936.40	6.740	6.740	1,490,000	CC8
2040	233,469.60	6.750	6.750	1,560,000	CD6
2041	228,311.40	6.760	6.760	1,635,000	CE4

[†] Copyright 2011, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

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.

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

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 Projections. 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, 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.

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 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.

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 Counties, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
COUNTIES OF HUMBOLDT AND MENDOCINO
STATE OF CALIFORNIA**

DISTRICT BOARD OF TRUSTEES

Thomas Mulder, *President*
Jim Baker, *Clerk*
Barbara Lindsay, *Member*
Scotty McClure, *Member*
Dennis O'Sullivan, *Member*
Michael Hoffman*, *Member*
Blake Lehman*, *Member*

DISTRICT ADMINISTRATION

Jim Stewart, *Superintendent*
Celeste Boyd, *Business Office Manager*

BOND and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Isom Advisors, a Division of Urban Futures, Incorporated
Walnut Creek, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

Humboldt County Treasurer
Eureka, California

* New board members taking office December 8, 2011.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE BONDS	4
Authority for Issuance	4
Purpose of Issue	4
Security	4
Description of the Bonds	5
Paying Agent	6
Optional Redemption	6
Notice of Redemption	6
Partial Redemption of Bonds	7
Defeasance	7
Registration, Transfer and Exchange of Bonds	8
DEBT SERVICE SCHEDULES	9
SOURCES AND USES OF FUNDS	11
APPLICATION OF PROCEEDS OF BONDS	11
Building Fund	11
Debt Service Fund	11
Application and Investment of Bond Proceeds	12
SECURITY FOR THE BONDS	12
General	12
Ad Valorem Property Taxation	12
Assessed Valuations	13
Property Tax Collections	16
Largest Property Owners	17
Debt Obligations	18
HUMBOLDT COUNTY INVESTMENT POOL	19
TAX MATTERS	20
CERTAIN LEGAL MATTERS	21
Continuing Disclosure	21
Absence of Material Litigation	21
RATINGS	22
UNDERWRITING	22
ADDITIONAL INFORMATION	22

APPENDIX A - District General and Financial Information

APPENDIX B - Excerpts from Audited Financial Statements of the District for Fiscal Year Ended June 30, 2010

APPENDIX C - General Information about the County of Humboldt

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 - Accreted Value Table

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$5,000,666.75
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
(Counties of Humboldt and Mendocino, California)
General Obligation Bonds
2010 Election, Series B

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale and delivery by the Southern Humboldt Joint Unified School District (the “**District**”) of the Counties of Humboldt and Mendocino, California General Obligation Bonds, 2010 Election, Series B, in the principal amount of \$5,000,666.75 (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, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The District consists of an area of approximately 773 square miles, located in Humboldt and Mendocino Counties (the “**Counties**”). Approximately 97.6% of the District (in terms of assessed value) lies in Humboldt County, with 2.4% in Mendocino County. The District currently operates five elementary schools, one high school and the Osprey Learning Center, which is an umbrella for alternative programs including Independent Study and Continuation classes. The current enrollment is approximately 784 students.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable from *ad valorem* taxes. The Boards of Supervisors of the Counties have the power and are 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 without limitation of rate or amount (except certain personal property which is taxable at limited rates). See “THE BONDS -- Security” herein.

Purpose of Issue

The net proceeds of the Bonds will be used to finance the renovation, construction and improvement of school facilities in the District. See “THE BONDS -- Purpose of Issue” and “SOURCES AND USES OF FUNDS” herein.

Description of the Bonds

The Bonds will be issued as current interest bonds and capital appreciation bonds. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof.

Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “APPENDIX F – DTC and the Book-Entry System.” If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See “THE BONDS -- Registration, Transfer and Exchange of Bonds.”

Redemption. The Bonds are subject to redemption prior to maturity as described in “THE BONDS - Optional Redemption” herein.

Legal Matters

Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. 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 will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the “**State**”) personal income taxes. See “TAX MATTERS” herein.

Authority for Issuance of the Bonds

Issuance of the Bonds was approved by more than 55% of the voters of the District voting at an election held on June 8, 2010 (the “**Bond Election**”) and will be issued pursuant to certain provisions of the Government Code of the State and pursuant to a resolution of the Board of Trustees of the District adopted on August 11, 2011 (the “**Resolution**”). See “THE BONDS - Authority for Issuance” herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued and received by the purchasers, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about December 21, 2011.

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. The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CERTAIN LEGAL MATTERS - Continuing Disclosure" herein.

Updated Information Since Date of Preliminary Official Statement

The District's estimated projections for Fiscal Year 2011-12 are included in Table A2 of "APPENDIX A – DISTRICT GENERAL AND FINANCIAL INFORMATION – Financial Statements" based on the District's First Interim Report certified by the District on December 8, 2011.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Southern Humboldt Joint Unified School District, 110 School Road, Miranda, California 95553, Phone: (707) 725-7823. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

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

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Act**”) and under a resolution adopted by the Board of Trustees of the District adopted on August 11, 2011 (the “**Resolution**”). The District received authorization at the Bond Election, by a requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount of \$25,200,000 (the “**Authorization**”). The District previously issued its General Obligation Bonds, 2010 Election, Series A in the aggregate principal amount of \$8,000,000 (the “**Series A Bonds**”), leaving \$17,200,000 of remaining Authorization. The Bonds will be the second series of bonds issued pursuant to the Authorization. After the Bonds are issued, there will be \$12,199,333.25 of unused Authorization remaining. Except for the Series A Bonds and the Bonds, the District does not currently have any other outstanding general obligation bonds.

Purpose of Issue

The proceeds of bonds issued pursuant to the Authorization will be used for the purposes specified in the ballot measure approved by the District's voters on June 8, 2010, which appeared on the ballot as follows:

“To improve the quality of education, modernize and renovate all schools in the District, improve energy efficiency including installing solar panels, replace deteriorating plumbing and drainage systems, upgrade inadequate electrical systems, improve technology, modernize restrooms, and make health and safety improvements, shall the Southern Humboldt Joint Unified School District issue \$25,200,000 of bonds at legal interest rates, have an independent citizens' oversight committee and have no money used for administrative or teacher salaries or be taken by the State?”

Security

The Bonds are general obligation bonds of the District payable from *ad valorem* taxes. The Boards of Supervisors of the Counties have the power and are 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 of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal and interest on the Bonds when due. Such taxes, when collected, will be deposited into an interest and sinking fund for the Bonds (the “**Debt Service Fund**”), which is maintained by Humboldt County and which is created by statute for the payment of principal of and interest on the Bonds when due. Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds, and Humboldt County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the Counties.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and interest on the Bonds as the same become due and payable, shall be transferred by Humboldt County to the Paying Agent (as defined herein) which, in turn, shall pay such moneys to DTC to pay the principal and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the beneficial owners of the Bonds.

The amount of the annual *ad valorem* tax levied by the Counties 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. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy. For further information regarding the District's tax base, tax rates, overlapping debt and other matters concerning taxation, see "SECURITY FOR THE BONDS" herein.

Description of the Bonds

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.

Current Interest Bonds. Interest with respect to the Current Interest Bonds accrues from the dated date set forth on the cover hereof (the "**Dated Date**"), and is payable semiannually on February 1 and August 1 of each year (each, as to the Current Interest Bonds, a "**Bond Payment Date**") commencing February 1, 2012. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Bond Payment Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Bond Payment Date and after the close of business on the fifteenth (15th) day of the month preceding such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (iii) it is registered and authenticated prior to January 15, 2012, in which event it shall bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Current Interest Bonds, including the final interest payment upon maturity, is payable by the Treasurer of the County of Humboldt (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See also "Book Entry Only System" below.

The Current Interest Bonds shall be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the Dated Date, and accrete interest from such date until the maturity thereof. The initial principal amounts (the "**Denominational Amount**") of each maturity of the Capital Appreciation Bonds shall be as shown on the inside cover page hereof. The Capital Appreciation Bonds are issued in denominations such that the maturity value thereof shall equal \$5,000 or an integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, in the years and amounts set forth on the inside cover page hereof.

Interest on the Capital Appreciation Bonds is compounded on February 1 and August 1 of each year, commencing February 1, 2012. Each Capital Appreciation Bond accretes in value daily over the term to its maturity, from its Denominational Amount on the Dated Date to its

accrued value (the “**Accrued Value**”) on its maturity date (the “**Maturity Value**”). The amount of principal and interest payable on any date shall be determined solely by reference to the Table of Accrued Values attached to such Capital Appreciation Bond. See “APPENDIX G – TABLE OF ACCRUED VALUES.”

The interest portion of the Accrued Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date. As to the Capital Appreciation Bonds, “**Bond Payment Date**” means the stated maturity dates thereof or mandatory redemption dates, as applicable. The Accrued Value of any Capital Appreciation Bond at maturity shall be payable by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See also “Book Entry Only System” below.

Paying Agent

The County of Humboldt will act as the registrar, transfer agent, and paying agent for the Bonds (the “**Paying Agent**”). 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 redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The Paying Agent, the District, the Counties 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 Current Interest Bonds maturing on or before August 1, 2021, are not subject to redemption prior to their respective stated maturities. Current Interest Bonds maturing on or after August 1, 2022, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2021, or on any date thereafter, at a price equal to 100% of the principal amount without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, Current Interest Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed.

The Capital Appreciation Bonds are not subject to redemption prior to maturity.

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Bonds, at the expense of the District. Notice of any redemption of Bonds shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the

original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest thereon shall cease to accrue.

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

Partial Redemption of Bonds

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

Defeasance

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

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Resolution) to pay or redeem such Bonds; or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

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

- (i) lawful money of the United States of America in an amount equal to the Principal Amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the Principal Amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to Humboldt County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption

is given as provided in the Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

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

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations issued by any agency or department of the United States which are secured, directly or indirectly, by the full faith and credit of the United States.

Registration, Transfer and Exchange of Bonds

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

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

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

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

DEBT SERVICE SCHEDULES

Debt Service Schedule for the Bonds. The following table shows the debt service schedule with respect to the Bonds (assuming no optional redemptions).

Period Ending (August 1)	Principal	Interest	Total Annual Debt Service
2012	--	\$ 55,404.86	\$ 55,404.86
2013	\$ 35,000.00	90,662.50	125,662.50
2014	35,000.00	89,612.50	124,612.50
2015	--	88,562.50	88,562.50
2016	25,000.00	88,562.50	113,562.50
2017	50,000.00	87,812.50	137,812.50
2018	80,000.00	85,812.50	165,812.50
2019	190,000.00	82,612.50	272,612.50
2020	230,000.00	75,012.50	305,012.50
2021	270,000.00	65,812.50	335,812.50
2022	320,000.00	55,012.50	375,012.50
2023	360,000.00	43,812.50	403,812.50
2024	415,000.00	30,762.50	445,762.50
2025	380,000.00	15,200.00	395,200.00
2026	75,612.45	189,387.55	265,000.00
2027	81,176.60	228,823.40	310,000.00
2028	85,313.60	269,686.40	355,000.00
2029	89,322.75	315,677.25	405,000.00
2030	91,084.50	358,915.50	450,000.00
2031	144,168.75	350,831.25	495,000.00
2032	146,403.35	398,596.65	545,000.00
2033	149,016.00	450,984.00	600,000.00
2034	149,058.00	500,942.00	650,000.00
2035	149,756.10	555,243.90	705,000.00
2036	255,775.45	1,039,224.55	1,295,000.00
2037	249,320.00	1,105,680.00	1,355,000.00
2038	243,941.80	1,176,058.20	1,420,000.00
2039	238,936.40	1,251,063.60	1,490,000.00
2040	233,469.60	1,326,530.40	1,560,000.00
2041	228,311.40	1,406,688.60	1,635,000.00
TOTAL	<u>\$5,000,666.75</u>	<u>\$11,878,988.11</u>	<u>\$16,879,654.86</u>

Combined Debt Service Schedule. The following table shows the debt service schedule with respect to the Bonds and the Series A Bonds (assuming no optional redemptions).

Period Ending (August 1)	Series A Bonds Debt Service	Bonds Debt Service	Total Annual Debt Service
2012	\$ 530,036.25	\$ 55,404.86	\$ 585,441.11
2013	533,736.25	125,662.50	659,398.75
2014	532,136.25	124,612.50	656,748.75
2015	530,386.25	88,562.50	618,948.75
2016	528,486.25	113,562.50	642,048.75
2017	531,436.25	137,812.50	669,248.75
2018	529,086.25	165,812.50	694,898.75
2019	531,586.25	272,612.50	804,198.75
2020	531,186.25	305,012.50	836,198.75
2021	530,386.25	335,812.50	866,198.75
2022	529,186.25	375,012.50	904,198.75
2023	532,586.25	403,812.50	936,398.75
2024	529,623.75	445,762.50	975,386.25
2025	523,873.75	395,200.00	919,073.75
2026	522,623.75	265,000.00	787,623.75
2027	520,623.75	310,000.00	830,623.75
2028	517,873.75	355,000.00	872,873.75
2029	514,373.75	405,000.00	919,373.75
2030	513,973.75	450,000.00	963,973.75
2031	517,973.75	495,000.00	1,012,973.75
2032	520,648.75	545,000.00	1,065,648.75
2033	522,498.75	600,000.00	1,122,498.75
2034	527,948.75	650,000.00	1,177,948.75
2035	527,093.75	705,000.00	1,232,093.75
2036	-	1,295,000.00	1,295,000.00
2037	-	1,355,000.00	1,355,000.00
2038	-	1,420,000.00	1,420,000.00
2039	-	1,490,000.00	1,490,000.00
2040	-	1,560,000.00	1,560,000.00
2041	-	1,635,000.00	1,635,000.00
Total	<u>\$12,629,365.00</u>	<u>\$16,879,654.86</u>	<u>\$29,509,019.86</u>

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Principal Amount of Bonds	\$5,000,666.75
Original Issue Premium	<u>245,729.30</u>
<i>Total Sources</i>	\$5,246,396.05

Uses of Funds:

Deposit into the Building Fund	\$5,000,666.75
Debt Service Fund ⁽¹⁾	55,404.86
Costs of Issuance ⁽²⁾	<u>190,324.44</u>
<i>Total Uses</i>	\$5,246,396.05

(1) Represents capitalized interest to February 1, 2012.

(2) Costs of Issuance include legal fees, financial advisor's fees, Underwriter's discount, printing costs, rating agency fees and other miscellaneous expenses. Costs of issuance will be paid by the Underwriter from a portion of the original issue premium retained by the Underwriter from the sale of the Bonds.

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 Humboldt County to the credit of the fund created and established in the Resolution and known as the "Southern Humboldt Joint Unified School District General Obligation Bond, 2010 Election, Series B Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

The accrued interest and any premium received by Humboldt County from the sale of the Bonds will be deposited in a separate fund known as the "Southern Humboldt Joint Unified School District General Obligation Bond, 2010 Election, Series B Debt Service Fund" (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 by Humboldt County to pay the principal of and interest on the Bonds when due.

Application and Investment of Bond Proceeds

The proceeds of the Building Fund and the Debt Service Fund initially will be deposited in the County Treasury of Humboldt County. Under California law, the District is generally required to pay all monies received from any source into the Humboldt County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Pooled Surplus Investment Fund of the County (the “**County Pool**”). Money on deposit in the Building Fund and the Debt Service Fund will be accounted for separately. It is anticipated that such funds will be invested by the Treasurer in the County Pool. See also “HUMBOLDT COUNTY INVESTMENT POOL” herein.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District payable solely from certain property tax levies. The Boards of Supervisors of the Counties have the power and are 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. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited into the Debt Service Fund, which is maintained by the County and which is created by statute for the payment of principal of and interest on the Bonds when due. Although the Counties are obligated to levy an *ad valorem* tax for the payment of Bonds, and Humboldt County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the Counties. The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by Humboldt County to the Paying Agent which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal of and interest on the Bonds to the DTC Participants who will thereupon make payments of principal of and interest to the beneficial owners of the Bonds. See “THE BONDS – The Book-Entry System.”

The amount of the annual *ad valorem* tax levied by the Counties 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. A reduction in the assessed valuation of taxable property in the District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood or other natural disaster, could cause a reduction in the assessed value of the District and necessitate an unanticipated increase in the annual tax levy.

Ad Valorem Property Taxation

Taxes are levied by each County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a

tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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 on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector and Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

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

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2011-12.

Table No. 1
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use

	<u>2011-12</u> <u>Assessed Valuation (1)</u>	<u>% of</u> <u>Total</u>	<u>No. of</u> <u>Parcels</u>	<u>% of</u> <u>Total</u>
Non-Residential:				
Agricultural/Rural	\$ 53,453,597	5.04%	1,234	9.51%
Timber	159,458,436	15.02	2,953	22.77
Commercial	75,968,825	7.16	222	1.71
Vacant Commercial	11,149,614	1.05	122	0.94
Industrial	1,223,937	0.12	9	0.07
Vacant Industrial	137,093	0.01	8	0.06
Government/Social/Institutional	3,303,813	0.31	1,089	8.40
Miscellaneous	<u>135,135</u>	<u>0.01</u>	<u>9</u>	<u>0.07</u>
Subtotal Non-Residential	\$304,830,450	28.72%	5,646	43.53%
Residential:				
Single Family Residence	\$591,926,812	55.77%	3,369	25.97%
2-4 Residential Units	18,004,608	1.70	102	0.79
5+ Residential Units/Apartments	2,374,899	0.22	10	0.08
Vacant Residential	<u>144,269,604</u>	<u>13.59</u>	<u>3,844</u>	<u>29.64</u>
Subtotal Residential	\$756,575,923	71.28%	7,325	56.47%
Total	\$1,061,406,373	100.00%	12,971	100.00%

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

Source: California Municipal Statistics, Inc.

Property within the District has a total taxable assessed valuation for fiscal year 2011-12 of 1,091,551,245, which is an increase of approximately .07% over the total assessed valuation for fiscal year 2010-11. Approximately 97.6% of the District (in terms of assessed value) lies in Humboldt County, with 2.4% in Mendocino County. Shown in the following table are the assessed valuations for the District for the past seven fiscal years.

Table No. 2
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2005-06 through Fiscal Year 2011-12

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
	<u>Humboldt County Portion</u>			
2005-06	\$ 714,938,849	\$77,095	\$24,166,766	\$ 739,182,710
2006-07	800,690,878	26,016	25,767,220	826,484,114
2007-08	882,876,304	26,016	27,762,622	910,664,942
2008-09	956,716,654	23,390	28,955,319	985,695,363
2009-10	1,013,951,458	23,390	30,569,788	1,044,544,636
2010-11	1,035,716,165	0	30,932,474	1,065,648,639
2011-12	1,036,654,036	0	29,920,829	1,066,574,865
	<u>Mendocino County Portion</u>			
2005-06	\$20,711,546	\$0	\$ 253,153	\$20,964,699
2006-07	21,982,780	0	210,410	22,193,190
2007-08	22,091,995	0	1,150,295	23,242,290
2008-09	23,819,107	0	2,237,290	26,056,397
2009-10	24,765,962	0	1,025,466	25,791,428
2010-11	24,846,547	0	336,428	25,182,975
2011-12	24,752,337	0	224,043	24,976,380
	<u>Total District</u>			
2005-06	\$735,650,395	\$77,095	\$24,419,919	\$ 760,147,409
2006-07	822,673,658	26,016	25,977,630	848,677,304
2007-08	904,968,299	26,016	28,912,917	933,907,232
2008-09	980,535,761	23,390	31,192,609	1,011,751,760
2009-10	1,038,717,420	23,390	31,595,254	1,070,336,064
2010-11	1,059,562,712	0	31,268,902	1,090,831,614
2011-12	1,061,406,373	0	30,144,872	1,091,551,245

Source: California Municipal Statistics, Inc.

Contained within the District's boundaries are numerous overlapping local agencies. The assessed valuation of TRA 156-001 is a representative tax rate area in the District. The following table presents the total tax rate for typical property owners within the area of the District.

Table No. 3
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 156-001)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Southern Humboldt Unified School District	.00000	.00000	.00000	.06000	.04100
Redwoods Joint Community College District	<u>.01500</u>	<u>.01200</u>	<u>.01300</u>	<u>.01300</u>	<u>.01200</u>
Total Tax Rate	1.01500	1.01200	1.01300	1.07300	1.05300

Source: California Municipal Statistics, Inc.

Property Tax Collections

Section 4701 through Section 4717 of the California Revenue and Taxation Code permit counties to use a method of apportioning taxes (commonly referred to as the “**Teeter Plan**”) whereby local agencies receive from the County 100% of their respective shares of the amount of secured *ad valorem* taxes levied, without regard to actual collections of taxes. Due to this allocation method, the cities in the County receive no adjustments for redemption payments on delinquent collections. The unsecured taxes are allocated based on actual unsecured tax collections.

Humboldt County has adopted the Teeter Plan. Consequently, secured property tax collections allocated to the District do not reflect actual collections.

Largest Property Owners

The following table shows the twenty largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2011-12.

Table No. 4
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2011-12

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2011-12 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	James O. and Anita M. Johnson, Trust	Hotel/Motel	\$ 5,465,887	0.51%
2.	Humboldt Redwood Company LLC	Timber	5,191,436	0.49
3.	USAL Redwood Forest Company LLC	Timber	4,138,587	0.39
4.	Humboldt House Inn	Hotel/Motel	3,817,660	0.36
5.	Benbow Valley Investments	Hotel/Motel	3,785,475	0.36
6.	Graham and Dorothy A. Russell	Mobile Home Park	3,729,403	0.35
7.	Kenneth and Meredith Wallan, Trust	Residential	2,916,981	0.27
8.	Rogue River Investments	Commercial	2,808,648	0.26
9.	Evergreen Mini-Storage LLC	Commercial	2,800,604	0.26
10.	Robert G. and Marlene Smith	Commercial	2,769,693	0.26
11.	Rolling Meadow Ranch Inc.	Rural	2,739,517	0.26
12.	Trudy L. and Conrad K. Bowman II	Commercial	2,705,109	0.25
13.	Charley H. Bertain and Cindi L. Oney	Commercial	2,615,753	0.25
14.	James C. and Linda Parkinson	Commercial	2,529,012	0.24
15.	Robert C. McKee, Trust	Commercial	2,472,540	0.23
16.	Community Credit Union of Southern Humboldt County	Commercial	2,269,576	0.21
17.	Antony C. and Carol R. Evans, Trust	Commercial	2,190,858	0.21
18.	Ronald L. and Corby J. Olsen	Commercial	1,848,750	0.17
19.	Barnum Timber Co.	Timber	1,807,145	0.17
20.	Kenneth H. and Patricia S. Lewis, Trust	Commercial	<u>1,742,354</u>	<u>0.16</u>
			<u>\$60,344,988</u>	<u>5.69%</u>

(1) 2011-12 Local Secured Assessed Valuation: \$1,061,406,373.

Source: California Municipal Statistics, Inc.

Debt Obligations

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. and with respect to debt dated as of November 1, 2011. 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.

Table No. 5
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of November 1, 2011

2011-12 Assessed Valuation: \$1,091,551,245

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 11/1/11</u>	
Redwoods Joint Community College District	7.606%	\$2,245,291	
Southern Humboldt Unified School District	100.000	7,820,000	(2)
Humboldt Bay Harbor Recreation and Conservation District	10.711	<u>262,420</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$10,327,711	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Humboldt County Certificates of Participation	10.711%	\$1,350,657	
Humboldt County Board of Education Certificates of Participation	10.711	61,053	
Mendocino County General Fund Obligations	0.278	67,081	
Mendocino County Pension Obligations	0.278	221,219	
Redwoods Joint Community College District General Fund Obligations	7.606	<u>30,896</u>	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,730,906	
COMBINED TOTAL DEBT		\$12,058,617	(3)

(1) Based on 2010-11 ratios.

(2) Excludes Bonds described herein.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt (\$7,820,000).....	0.72%
Total Direct and Overlapping Tax and Assessment Debt.....	0.95%
Combined Total Debt.....	1.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

HUMBOLDT COUNTY INVESTMENT POOL

Under the California Education Code, the District is required to pay all monies received from any source into the County treasury to be held on behalf of the District. Therefore, the District's funds, including moneys in the Building Fund and the Debt Service Fund, as well as property taxes collected to pay debt service on the Bonds, will be held and invested at one time or another by the County Treasurer.

The County Investment Pool. As required by state law, the District deposits all of its general fund revenues with the County of Humboldt's Pooled Surplus Investment Fund. Decisions on the investment of funds in the Treasury Pool are made by the County Treasurer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. Investment decisions are governed by California Government Code Sections 27000 et seq. and 53600, et. seq., and the Treasurer's Investment Policy Statement dated January 1, 2010.

The Treasurer prepares a quarterly Investment Report (the "**Investment Report**") summarizing the status of the Treasury Pool, including the current market value of all investments. This Report is submitted to the Board of Supervisors, for formal action to approve it. According to the Investment Report for the quarter ending October 31, 2011, the October 31, 2011 book value of the Treasury Pool was approximately \$226.4 million and the corresponding market value was approximately \$226.5 million. As of October 31, 2011, the average days to maturity of the portfolio was 665 days.

The following table identifies the types of securities held by the Pool as of October 31, 2011.

Type of Investment	Book Value	Market Value
Certificates of Deposit	\$36,000,000.00	\$36,000,000.00
Money Markets	100,905,338.95	100,905,338.95
Medium Term Notes	2,012,599.43	2,083,875.00
Federal Agency Coupon Securities	82,375,122.59	82,429,221.49
Pass Through Securities (GNMA/CMO)	5,040.42	5,816.45
Municipal Bonds	<u>5,060,700.00</u>	<u>5,116,064.06</u>
Total	<u>\$226,358,801.39</u>	<u>\$226,540,315.95</u>

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain 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 imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), the interest on the Bonds is taken into account in determining certain income and earnings. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "**Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to 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 (excluding bond houses and brokers) 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 (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Under the 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 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, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

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

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix D.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently would be by March 31 each year based upon the June 30 end of the District's fiscal year), commencing March 31, 2012, with the report for the 2010-11 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board. The notices of certain enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Absence of Material Litigation

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

RATINGS

Moody's Investor's Services ("**Moody's**") and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") are expected to assign their municipal bond rating of "A1," and "A+," respectively, to the Bonds. There is no assurance that any credit rating given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by such rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of such rating agencies and an explanation of the significance of such ratings may be obtained from the rating agencies.

UNDERWRITING

The Bonds are being purchased by E. J. De La Rosa & Co., Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of \$5,055,404.86 (which is equal to the initial principal amount of the Bonds, plus original issue premium (\$245,729.30), less the Underwriter's discount of \$50,000.00 and less original issue premium retained by the Underwriter in the amount of \$140,991.19 to pay costs of issuance). The Underwriter will purchase all of the Bonds (if any are purchased), 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 cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The reference herein to the 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 said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Eureka, 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 from 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.

**SOUTHERN HUMBOLDT JOINT UNIFIED
SCHOOL DISTRICT**

By: _____
 /s/ Jim Stewart
 Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 "SECURITY FOR THE BONDS" herein.

General Information

The Southern Humboldt Joint Unified School District consists of an area of approximately 773 square miles, located in southern Humboldt County. The District serves the residents of the Southern Humboldt community and northern Mendocino County. The major population centers include the communities of Benbow, Garberville, Redway, Phillipsville, Miranda, Salmon Creek, Myers Flat, Fruitland Ridge, Weott, Shelter Cove, Ettersburg, Whitehorn, Briceland, Alderpoint, Harris, Fort Seward, and Blocksburg.

Approximately 97.6% of the District (in terms of assessed value) lies in Humboldt County, with 2.4% in Mendocino County. The District currently operates five elementary schools, one high school and the Osprey Learning Center, which is an umbrella for alternative programs including Independent Study and Continuation classes. The current enrollment is approximately 784 students.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below. There is currently one member vacancy on the Board.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Thomas Mulder	President	2013
Jim Baker	Clerk	2015
Barbara Lindsay	Member	2013
Scotty McClure	Member	2013
Dennis O'Sullivan	Member	2015
Michael Hoffman*	Member	2013
Blake Lehman*	Member	2015

Two new board members will be sworn in on December 8, 2011.

* New board members taking office December 8, 2011.

Recent Enrollment Trends

The following table shows enrollment history for the District for the last seven fiscal years, with estimated figures for fiscal year 2011-12.

SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT Annual Enrollment Grades K through 12 Fiscal Years 2004-05 through 2011-12

<u>Fiscal Year</u>	<u>Annual Enrollment</u>	<u>Percent Change</u>
2004-05	964	-
2005-06	882	(8.5)%
2006-07	842	(4.5)
2007-08	796	(5.5)
2008-09	802	0.8
2009-10	771	(3.9)
2010-11	790	2.5
2011-12 ⁽¹⁾	784	(0.8)

⁽¹⁾ Estimate.
Source: The District.

Employee Relations

The District has 55.78 full-time equivalent classified employees and 43.80 full-time equivalent certified employees. Two unions represent District employees. The California Teachers Association (SHTA.) represents teachers and the CSEA (Chapter 177) represents classified employees. The contract with SHTA expired on June 30, 2011 and the contract with CSEA Chapter 177 expires on June 16, 2012.

District Retirement Systems

The District participates in the State of California Teacher's Retirement System ("STRS"). This plan covers basically all full-time certificated employees. Active plan members are required to contribute 8.0 percent of their salary and the District is to contribute an actuarially determined rate, which was 8.25 percent of payroll for the 2009-10 fiscal year. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009, and 2010, were \$257,654, \$226,615 and \$222,060, respectively, and equaled 100 percent of the required contributions for each year. The District has estimated a contribution to STRS of \$216,166 for the fiscal year ending June 30, 2011, and has budgeted \$198,783 for fiscal year 2011-12.

The District also participates in the State of California Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate, which was 9.71 percent of annual payroll for 2009-10. The District's contributions to PERS for the fiscal years ending June 30, 2008, 2009 and 2010, were \$192,948, \$178,044 and \$170,624, respectively, and equaled 100 percent of the required contributions for each year. The District has estimated a contribution to PERS of \$167,812 for the fiscal year ending June 30, 2011, and has budgeted \$173,204 for fiscal year 2011-12.

Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as liability. STRS has a substantial State unfunded liability. Since this liability has not been broken down by the state agency, information is not available showing the District's share.

Other Post-Employment Benefit Obligations

The District provides post-retirement health care benefits for employees who retire between the age of 55 and 65, with certain years of service. On June 30, 2010, 42 retirees met the requirements. The District pays medical premiums and also dental and vision premiums for certificated and management retirees. If the premiums exceed certain limits, the retirees are liable for the difference. The benefits are paid for a period of 5 to 10 years but not beyond the age of 65 (70 for certificated employees).

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any funded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2009-10, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual Required Contribution (ARC)	\$478,342
Interest on net OPEB Obligation	0
Adjustment to ARC	<u>0</u>
Annual OPEB cost (expense)	478,342
Contributions made	<u>474,426</u>
Increase in net OPEB obligation	3,916
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of year	<u>\$3,916</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$478,342	99%	\$3,916

As of April 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$5,038,011, all of which is unfunded.

See "APPENDIX B - Audited Financial Statements of the District for Fiscal Year Ended June 30, 2010- Note 10". The District funds all such programs on a pay-as-you-go basis.

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.

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30.

All governmental funds and fiduciary funds are maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, that is, both measurable and available to finance expenditures for the current period. For more information on the District's accounting method, see Note 1, Section B of "APPENDIX B – EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto.

The Governmental Accounting Standards Board ("**GASB**") Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" was adopted 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 requirements for financial reporting for all governmental agencies in the United States. The District has implemented Statement No. 34 for its audited financial statements.

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2009-10 were prepared by May, Abrahamsen & Barsanti, Certified Public Accountants, McKinleyville, California. Audited financial statements for the District for the fiscal year ended June 30, 2010 and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent. See Appendix B hereto for excerpts from the 2009-10 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

The following table shows the audited income and expense statements for the District for fiscal years 2007-08 through 2009-10.

TABLE A1
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2007-08 through 2009-10 (audited)

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
<u>Revenues</u>			
Revenue Limit Sources:			
State apportionments	\$2,530,509	\$2,022,707	\$1,328,768
Local sources	2,776,610	2,999,286	3,105,147
Total revenue limit	5,307,119	5,021,993	4,433,915
Federal Revenue	820,281	1,054,942	978,101
Other State Revenue	2,570,081	2,508,960	2,049,771
Other Local Revenue	825,324	809,635	622,691
Total Revenues	9,522,805	9,395,530	8,084,478
<u>Expenditures</u>			
Instruction	5,666,943	4,888,651	4,752,275
Instruction-Related Services:			
Supervision of instruction	105,128	112,337	55,722
Instructional library, media, technology	72,149	35,968	28,065
School site administration	516,854	512,452	466,556
Pupil Services:			
Home-to-school transportation	1,306,322	1,229,362	1,094,971
All other pupil services	598,684	629,609	593,820
General Administration:			
Data processing	14,022	14,704	14,594
All other general administration	337,731	365,769	397,340
Plant Services	897,217	797,841	759,326
Ancillary services	46,106	39,286	37,108
Community services	48,902	36,215	13,166
Transfers between agencies	8,037	3,206	13,963
Debt service-principal	11,573	11,574	13,445
Debt service- interest	2,676	15,539	2,475
Total Expenditures	9,632,343	8,692,513	8,242,826
Excess of Revs. Over (Under) Expend.	(109,538)	703,017	(158,348)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	93,226	84,668	160,120
Operating transfers out	(278,386)	(157,710)	(56,013)
Proceeds from sale of properties	-	-	322,788
Total Other Financing Sources (Uses)	(185,160)	(73,042)	426,895
Net Change in Fund Balance	(294,698)	629,975	268,547
Fund Balance, July 1	1,397,706	1,103,008	1,732,983
Fund Balance, June 30	\$1,103,008	\$1,732,983	\$2,001,530

Source: Southern Humboldt Joint Unified School District Audit Reports for fiscal years 2007-08 through 2009-10.

The following table shows the 2010-11 Board-approved Operating Budget, estimated actual figures for 2010-11, the 2011-12 Budget (both taken from the 2011-12 Budget adopted by the Board on June 23, 2011) and the projected year totals for 2011-12 based on the First Interim Report.

TABLE A2
SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Year 2010-11 (Adopted Budget and Estimated Actuals)
and Fiscal Year 2011-12 (Adopted Budget and First Interim Report)

	Adopted Budget 2010-11	Estimated Actuals 2010-11	Adopted Budget 2011-12	First Interim Report 2011-12
REVENUES				
Revenue Limit Sources	\$4,209,528	\$4,612,888	\$4,258,510	\$4,386,539
Federal	893,418	1,124,318	968,093	908,124
Other State	1,907,598	2,229,150	2,091,998	2,021,655
Other Local	479,575	771,510	465,841	693,608
Total Revenues	7,490,119	8,737,866	7,784,442	8,009,926
EXPENDITURES				
Certificated Salaries	2,489,334	2,700,942	2,503,846	2,507,293
Classified Salaries	1,652,868	1,671,995	1,653,366	1,643,532
Employee Benefits	2,478,979	2,526,345	2,553,814	2,483,423
Books and Supplies	444,967	399,406	415,760	459,241
Services and Other Operating Expenses	996,719	1,032,622	984,829	1,118,969
Capital Outlay	137,275	271,762	150,000	155,000
Other Outgo: excluding Indirect Costs	22,279	21,854	30,462	72,241
Other Outgo: Indirect Costs	0	0	0	0
Total Expenditures	8,222,421	8,624,926	8,292,077	8,439,699
Excess of Revenues over Expenditures	(732,302)	112,940	(507,635)	(429,773)
OTHER FINANCING SOURCES/USES:				
Interfund Transfers In	0	0	0	0
Interfund Transfers Out	(28,320)	(351,108)	(65,770)	(74,680)
Other sources (uses)	0	0	0	0
Contributions	0	0	0	0
Total Other Financing Sources/Uses	(28,320)	(351,108)	(65,770)	(74,680)
Net Change in Fund Balance	(760,622)	(238,168)	(573,405)	(504,453)
Fund Balance, July 1	1,732,948	2,045,878	1,807,710	1,838,993
Fund Balance, June 30	\$972,326	\$1,807,710	\$1,234,305	\$1,334,540

Source: Southern Humboldt Joint Unified School District.

Long-Term Debt

The District has never defaulted on the payment of principal or interest on any of its indebtedness. The following table shows the outstanding debt of the District.

	Balance June 30, 2010	Due in One Year
Net OPEB obligation	\$ 3,916	\$ 0
Water Resources Board	19,315	1,431
Early Retirement Incentives	32,911	11,047
Compensated Absences	<u>126,470</u>	<u>71,682</u>
Total	\$182,612	\$84,160

Budget Process

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 may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. 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.

For both dual and single budgets submitted on 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 August 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 August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option 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.

The District has received a "qualified" certification of the following financial reports:

First Interim Report, 2008-09;
 Second Interim Report, 2008-09;
 First Interim Report, 2009-10; and
 Second Interim Report, 2009-10.

The District has approved and submitted to the Humboldt County Office of Education a balanced budget for the 2011-12 school year, including multi-year projections. The First Interim Report for 2011-12 received a positive certification.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("A.D.A."). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

A schedule of the District's A.D.A. during past fiscal years and as estimated for 2011-12 is shown below.

SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT
Average Daily Attendance ⁽¹⁾
Fiscal Years 2005-06 through 2011-12

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2005-06	804.01
2006-07	775.28
2007-08	720.36
2008-09	730.75
2009-10	711.42
2010-11	724.68
2011-12 ⁽²⁾	717.83

(1) General Fund excluding adult education students.

(2) Estimate.

Source: Southern Humboldt Joint Unified School District.

California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to school districts.

Revenue Sources

The District categorizes its general fund revenues into four sources:

SOUTHERN HUMBOLDT JOINT UNIFIED SCHOOL DISTRICT District Revenue Sources

Revenue Source	Percentage of Total District General Fund Revenues			
	2007-08	2008-09	2009-10	2010-11
Revenue limit sources ⁽¹⁾	53.5%	56.2%	54.8%	52.8%
Federal revenues	11.2	11.9	12.1	12.9
Other State revenues	26.7	25.5	25.4	25.5
Other local revenues	8.6	27.0	7.7	8.8

(1) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues.
Source: Southern Humboldt Joint Unified School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of A.D.A. The revenue limit calculations are 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 is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general

election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

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

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 receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see “- State Funding of Education and Revenue Limitations” below). State funds typically make up the majority of a district’s revenue limit. School districts also receive substantial funding from the State for various categorical programs. Revenues received by the District from all State sources accounted for about 50% percent of total general fund revenues in fiscal year 2009-10.

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”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

State Funding of Education and Recent State Budgets

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education.

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”), 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.

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 XIII B 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.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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. 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.

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 is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

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

Under the State Constitution, money may be drawn from the 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 two-thirds 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 (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

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

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

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Tax Shifts and Triple Flip. Assembly Bill No. 1755 ("**AB 1755**"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to \$135 million. Legislation commonly referred to as the "Triple Flip," was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the "California Economic Recovery Act." This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the "Triple Flip." Under the "Triple Flip", one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation

redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 9 to 13 years.

State IOUs and Deferrals of Education Funding. As a result of declines in State revenues commencing in fiscal years 2008-09, commencing July 2, 2009, the State Controller began to issue registered warrants (or “**IOUs**”) for certain lower priority State obligations in lieu of warrants (checks) which could be immediately cashed. The registered warrants, the issuance of which did not require the consent of recipients, bore interest. With enactment of an amended budget in late July 2009, the State was able to call all its outstanding registered warrants for redemption on September 4, 2009. The issuance of state registered warrants in 2009 was only the second time the State has issued state registered warrants to such types of state creditors since the 1930s. To better manage its cash flow in light of declining revenues, the State has enacted several statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year, in order to more closely align the State’s revenues with its expenditures. This technique has been used several times through the enactment of budget bills in fiscal years 2008-2009, 2009-2010 and 2010-11. Some of these statutory deferrals were made permanent, and others were implemented only for one fiscal year. Fiscal stress and cash pressures currently facing the State may continue or become more difficult, and continuing declines in State tax receipts or other results of the current economic recession may materially adversely affect the financial condition of the State. The Department of Finance has projected that multi-billion dollar budget gaps will occur annually for several years in the future.

2011-12 State Budget.

2011-12 Proposed State Budget. On January 10, 2011, Governor Jerry Brown announced a budget proposal to bridge the State’s estimated \$28 billion budget deficit. The proposed budget delivered cuts across a wide spectrum of programs, calling for \$84.6 billion in general fund spending in fiscal 2012, down from about \$92.2 billion in 2010-11. At the same time, the Governor’s budget plan proposed asking voters to approve a five-year extension of temporary income, sales and vehicle taxes before they expire at the end of June 2011 in a proposed special statewide election to be held in June, 2011. Governor Brown’s proposed budget includes cuts to welfare programs, health care programs for the poor and higher education. In addition, the proposal included the elimination of California redevelopment agencies and re-directing property tax revenues from redevelopment to cities, counties and schools. Cuts to K-12 education were not included, unless the tax extensions are not approved at a special June election.

Following the introduction of the 2011-12 Budget, the Legislature passed and the Governor signed budget bills which include \$1.7 billion in reductions to services and coverage under Medi-Cal, \$1 billion in reductions to CalWORKs (a low income financial and employment assistance program), \$1.1 billion in cuts to higher education, \$1 billion in cuts to First 5 (an early childhood program), \$862 million in cuts to mental health programs, and \$192 million in cuts to Supplemental Security Income and State Supplementary Payments for low-income disabled and elderly residents. The Governor was unable to obtain the votes of the California Legislature needed to call a special statewide election in June for voters to consider the tax extensions included in the Governor’s proposed 2011-12 Budget.

May Revision. On May 16, 2011, the Governor introduced the May Revision to the 2011-12 Budget to the Legislature. The May Revision assumes \$6.6 billion more in tax revenue

through June 2012, reducing the possible deficit to \$9.6 billion and providing education funding at a level at least equal to 2010-11 funding, continues to propose the extension of sales and vehicle taxes for five years, but shortens the income tax extension to four years, maintains the plan to eliminate redevelopment agencies, tightens rules for job-creation tax credits in enterprise zones, eliminates 43 boards and commissions and sells numerous “nonessential” properties. June 15, 2011 is the constitutional deadline for the Legislature to pass a 2011-12 budget bill, although historically, passage frequently occurs after such deadline.

LAO Report. The LAO’s May 19, 2011 report on the Governor’s May Revision concludes that the Governor’s budget estimates in the May Revision are based on reasonable assumptions. However, the LAO notes, school districts, counties and the State face uncertainty as to funding levels in the fiscal year because the Governor’s revenue assumptions rely on the extension of temporary increases in personal income tax, sales and use tax and vehicle license fees to be approved by the voters. The LAO deems the Governor’s proposals worthy of legislative consideration, noting that in past budgets the State was unable to make significant inroads into its underlying operating shortfall due to a reliance on one-time and short-term solutions; whereas, this year, an estimated \$6.6 billion improvement in state tax collections, and \$13 billion in budgetary solutions already adopted by the Legislature, puts the State in the position to dramatically reduce its budget problem in coming years.

June 30, 2011 – 2011-12 Budget Adopted. On June 28, 2011, a majority of each house of the California State Legislature passed an \$86 billion general fund State Budget that closes the State’s remaining \$9.6 billion deficit. The 2011-12 Budget relies on \$4 billion in additional revenue, which if not realized, will automatically force further cuts to universities, welfare, and schools. The 2011-12 Budget includes a series of “trigger” reductions that are authorized to be implemented if projected revenues fall short of expectations. The first series, or Tier 1 cuts, totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If by January 2012 projected revenues fall short by more than \$2 billion, a second series, or Tier 2 cuts, would result in an additional \$1.9 billion in education reductions, of which \$1.8 billion relates to K-12 revenue limit funding and home-to-school transportation. As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of \$1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length of school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means. Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State’s share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee.

The 2011-12 Budget was signed by Governor Brown on June 30, 2011. The Governor was unable to obtain the votes of the California Legislature needed to call a special statewide election for voters to consider the tax extensions included in the Governor’s proposed 2011-12 Budget, and it remains unclear when and if he will attempt again to call such a special election.

LAO Report. An LAO report dated November 16, 2011 forecasts that general fund revenues for 2011-12 will be \$3.7 billion below the level assumed in the June budget package. Such a shortfall is likely to result in \$2 billion in trigger cuts described above – including all of the Tier 1 trigger cuts and three quarters of the Tier 2 trigger cuts. Taking into account these trigger cuts, the State will face a 2011-12 budget deficit of \$3 billion. For 2012-13, the LAO projects that

the State will face a \$10 billion operating shortfall, meaning that the Governor will need to address a \$13 billion budget problem.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading "California Budget." Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Board, and the Board takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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

The State has not entered into any contractual commitment with the District, the County, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to herein or incorporated by reference herein.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "- State Funding of Education and Recent State Budgets" above.

2010 Robles-Wong Litigation. On May 20, 2010, a plaintiff class of numerous current California public school students and several school districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance. On July 16, 2010, the California Teachers' Association filed a Complaint in Intervention, making the same allegations and seeking the same declaratory and injunctive relief. On January 14, 2011, the court dismissed certain of the causes of action, including causes of action that alleged a constitutional right to a particular level of education funding and violations of equal protection of the law, based on certain State constitutional provisions. On July 26, 2011, the Superior Court rejected the plaintiff's amended complaint as not stating an equal protection claim, but allowed the plaintiffs to amend their complaint if filed by August 25, 2011. The District cannot predict the outcome of the *Robles-Wong* litigation, however, if successful, the lawsuit could result in changes in how school finance is implemented in the State of California.

2011 CSBA Litigation. The California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco

Unified School District and the Turlock Unified School District announced on September 28, 2011 that they were filing a lawsuit (the “**CSBA Lawsuit**”) in the Superior County of the City and County of San Francisco, seeking to restore more than \$2 billion that had been designated to California public schools under Proposition 98, but was cut from the 2011-12 State Budget. The District cannot predict the outcome of the CSBA Lawsuit.

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. The provisions of law discussed below are included in this section to describe the potential effect of Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes. 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 all applicable laws.

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) 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. As described under “THE BONDS – Authority for Issuance”, the District received authorization by a requisite 55% of voters to issue the Bonds and has stated that it will comply with all applicable accountability measures required by law. 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.

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

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.

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.

Constitutional Appropriations Limitation

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 XIII B 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.

Article XIII B 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.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "**Article XIII C**" and "**Article XIII D**"), 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 XIII C 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 XIII C 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. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

Proposition 218 does not affect the *ad valorem* property taxes to be levied by the County to pay debt service on the Bonds.

Proposition 62

A statutory initiative (“**Proposition 62**”) was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

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 XIII B 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. 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 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (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. 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 amends 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.

Application of Constitutional and Statutory Provisions; Recent Legislation

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets.”

On May 20, 2010, a plaintiff class of numerous current California public school students and the Alameda Unified, Alpine Union, Del Norte County Unified, Folsom Cordova Unified, Hemet Unified, Porterville Unified, Riverside Unified, San Francisco Unified, and Santa Ana Unified School Districts, together with the California Congress of Parents, Teachers & Students, the Association of California School Administrators and the California School Boards Association filed suit in Alameda County Superior Court challenging the system of financing for public schools in California as unconstitutional. In *Maya Robles-Wong, et al. v. State of California*, plaintiffs seek declaratory and injunctive relief, including a permanent injunction compelling the State to abandon the existing system of public school finance that is intentionally, rationally and demonstrably aligned with the State's prescribed educational program and provides equal access and an equal educational opportunity to all school-aged children in the State. The District cannot predict the outcome of the *Robles-Wong* litigation.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98 and 111 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

EXCERPTS FROM
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

**SOUTHERN HUMBOLDT
UNIFIED SCHOOL DISTRICT**

**County of Humboldt
State of California
Audit Report
June 30, 2010**

May, Abrahamsen & Barsanti
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

COUNTY OF HUMBOLDT

Financial Statements

and

Supplementary Information

with the

Independent Certified Public Accountant's

Report Upon Examination

For the Fiscal Year Ended June 30, 2010

**SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page Number</u>
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	19
Notes to the Basic Financial Statements	20 - 40
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP) General Fund	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (GAAP) Special Reserve Fund	42

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS (Continued)

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION SECTION:	
Combining Statements:	
Combining Statements - Nonmajor Funds:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds (By Object)	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Nonmajor Special Revenue Funds (By Object)	45 - 47
Organization	48
Schedule of Average Daily Attendance	49
Schedule of Instructional Time	50 - 51
Schedule of Financial Trends and Analysis	52
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
Reconciliation of Annual Financial and Budget Report (J-200) with Audited Financial Statements	55
Notes to Supplementary Information	56
OTHER INDEPENDENT AUDITOR'S REPORTS:	
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	57 - 58
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59 - 60

**SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
TABLE OF CONTENTS (Continued)**

	<u>Page Number</u>
FINDINGS AND RECOMMENDATIONS SECTION:	
Auditor's Report on State Compliance	61 - 63
Auditor's Schedule of Findings and Questioned Costs	64
Findings and Recommendations	65 - 66
Status of Prior Year findings and Recommendations	67

FINANCIAL SECTION

William C. May
Tom Abrahamsen
Shel M. Barsanti

May, Abrahamsen & Barsanti

CERTIFIED PUBLIC ACCOUNTANTS

3103 Concorde Drive
McKinleyville, CA 95519
Phone: (707) 839-9444
Fax: (707) 839-9445

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Southern Humboldt Unified School District
Garberville, Humboldt County, California**

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Southern Humboldt Unified School District as of and for the year ended June 30, 2010, which collectively comprise the district's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Southern Humboldt Unified School District's management. Our responsibility is to express an opinion 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 of America, and Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10, issued by the Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Humboldt Unified School District, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 40 through 41 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.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2010, on our consideration of the Southern Humboldt Unified School District's internal control over financial reporting and our tests of the district's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Humboldt Unified School District's financial statements as a whole. The supplementary section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

May, Abrahamson & Barsanti

December 15, 2010
McKinleyville, California

Southern Humboldt Joint Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Management's Discussion and Analysis section of the audit is management's view of the district's financial condition, and provides an opportunity to discuss important fiscal issues with the Governing Board and the public. New accounting rules, which became effective in 2003-04, require this discussion and analysis. The Management Discussion and Analysis makes reporting of district's finances similar to that of private business.

The Southern Humboldt Joint Unified School District

The District serves the residents of the Southern Humboldt community in Humboldt County. The District covers a geographic area of approximately 773 square miles in size. The major road, Highway 101, runs north/south throughout the district. The major population centers include the communities of Benbow, Garberville, Redway, Phillipsville, Miranda, Salmon Creek, Myers Flat, Fruitland Ridge, Weott, Shelter Cove, Ettersburg, Whitethorn, Briceland, Piercy, Alderpoint, Harris, Fort Seward, and Blocksburg. At the time of this report, the District serves over 788 students in seven (7) schools.

The Governing Board's Mission Statement

The mission of the Southern Humboldt Joint Unified School District is a commitment to educational excellence through a comprehensive program that promotes the success of all students by empowering them with the skills and attitudes necessary to be confident and engaged citizens of a changing world.

Overview of the Financial Statements

The annual financial report consists of four parts: the independent auditor's report, management's discussion and analysis (this section), the basic financial statements, including the notes to the financial statements, and required supplementary information.

This is the Management's Discussion and Analysis, where the Southern Humboldt Joint Unified School District's activities are analyzed at a summarized level for the financial statement users. The analysis is based upon currently known facts and conditions.

The basic financial statements include a Statement of Net Assets, Statement of Activities, and Fund Financial Statements as well as the notes to the financial statements. These statements give an overall financial picture of the Southern Humboldt Unified School District as a whole and can also be used to assess the financial performance of the reported fiscal years.

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

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

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

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

Financial Reports

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

- General Fund
- Special Reserve Fund
- Deferred Maintenance Fund
- Capital Outlay Fund
- Cafeteria Fund
- Adult Education Fund
- Retiree Benefit Fund

Reporting the Southern Humboldt Joint Unified School District as a Whole

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the school district as a whole and about its activities. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the financial health, or *financial position*. Over time, increases or decreases in net assets are an indication of whether the financial health is improving or deteriorating. Another factor that should be considered is the condition of the district's facilities.

The relationship between revenues and expenses is the *operating results*. Because our goal is to provide services to students in district-operated programs, and not to generate profits as commercial entities do, there are factors to consider when evaluating the overall health of the district. These non-financial factors include the quality of the education and services provided and the safety of our schools.

Summary of the Southern Humboldt Joint Unified School District's Fiscal Position

The Southern Humboldt Joint Unified School District's net assets were \$4.5 million for the fiscal year ending June 30, 2010. Of this amount, \$1,991,904 was unrestricted. The restricted net assets of \$500,553 are reported separately to show legal constraints from debt covenants, state legislation and other restrictions that limit their use. The value of fixed assets are also included as part of the financial statements. Fixed assets include the value of buildings, land and equipment. Depreciation of fixed assets is included in this value. Land is accounted for at purchase value, not market value, and is not depreciated. The valuation of school buildings is based on the historical costs. The following analysis focuses on the net assets and the change in net assets from governmental activities.

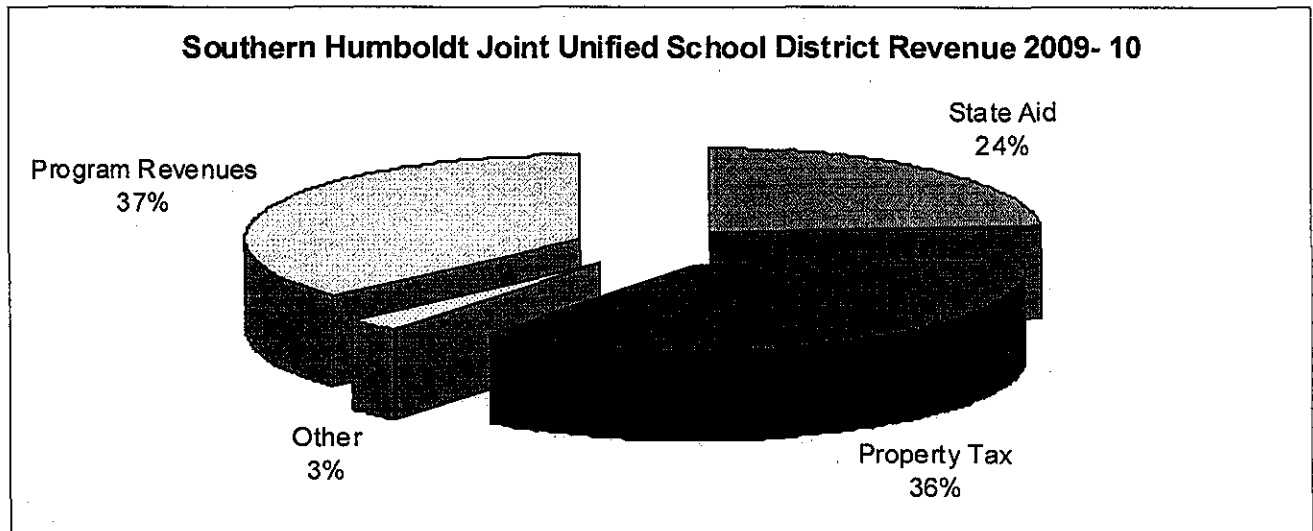
Southern Humboldt Joint Unified School District					
Summary Statement of Net Assets					
	Governmental Activities				
	<u>2009-10</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>	<u>2005-2006</u>
Current & Other Assets	2,825,963	2,848,759	2,200,687	\$ 3,612,293	\$ 3,092,261
Capital Assets	2,016,453	2,114,175	2,162,974	\$ 2,029,950	\$ 1,898,996
Total Assets	\$4,842,416	4,962,934	4,363,661	\$ 5,642,243	\$ 4,991,257
Current Liabilities	150,894	387,196	360,953	\$ 1,622,135	\$ 1,197,886
Long-Term Debt	182,612	227,451	243,255	\$ 238,353	\$ 258,882
Total Liabilities	\$333,506	614,647	604,208	\$ 1,860,488	\$ 1,456,768
Invested in Capital Assets					
Net of related debt	\$2,016,453	\$2,114,175	\$2,162,974	\$ 2,029,950	\$ 1,898,996
Restricted	\$500,553	\$937,648	\$1,291,979	\$ 1,520,943	\$ 1,396,828
Unrestricted	\$1,991,904	\$1,296,464	\$304,500	\$ 230,862	\$ 238,665
Total Net Assets	\$4,508,910	\$4,348,287	\$3,759,453	\$ 3,781,755	\$ 3,534,489

The \$ 1,991,904 in unrestricted net assets from governmental activities represents the *accumulated* results of all past years' operations and the transfer of restricted program ending balances to the unrestricted General Fund as provided for in the flexibility provisions included in the State Budget.

The results of this year's operation of the District as a whole are presented below. We have rearranged the information to more clearly show our total revenues for the year. Total revenues exceeded expenditures, which *increased* net assets by \$ 588,834.

Summary Statement of Activities				
	Governmental Activities			
	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>
Program Revenues:				
Charges for services	\$ 51,477	\$ 74,547	\$ 70,422	\$ 75,399
Operating grants and contributions	<u>\$ 3,118,301</u>	<u>\$ 3,968,193</u>	<u>\$ 4,012,562</u>	<u>\$ 3,783,781</u>
Total Program Revenues	\$ 3,169,778	\$ 4,042,740	\$ 4,082,984	\$ 3,859,180
General Revenues:				
State revenue limit sources	\$ 2,000,147	\$ 2,425,994	\$ 2,919,547	\$ 3,491,378
Property Taxes	\$ 3,105,147	\$ 2,952,622	\$ 2,719,817	\$ 2,522,953
Other general revenues	<u>\$ 522,419</u>	<u>\$ 342,649</u>	<u>\$ 379,002</u>	<u>\$ 385,586</u>
Total Revenues	<u>\$ 8,797,491</u>	<u>\$ 9,764,005</u>	<u>\$ 10,101,350</u>	<u>\$ 10,259,097</u>
Expenses:				
Instructional-related	\$ 5,350,766	\$ 5,594,424	\$ 6,373,599	\$ 6,410,999
Pupil Services	\$ 1,990,452	\$ 2,189,022	\$ 2,247,998	\$ 2,149,631
General Administration	\$ 404,231	\$ 367,322	\$ 357,451	\$ 361,774
Plant Services	\$ 815,456	\$ 908,128	\$ 1,018,204	\$ 927,830
Ancillary Services	\$ 46,359	\$ 48,817	\$ 55,212	\$ 46,416
Community Services	\$ 13,166	\$ 36,215	\$ 48,902	\$ 44,584
Interest on Long-Term Debt	0	\$ 15,539	\$ 2,676	\$ 62,165
Other Outgo	\$ 16,438	\$ 15,704	\$ 19,610	\$ 8,432
Depreciation (Unallocated)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>\$ 8,636,868</u>	<u>\$ 9,175,171</u>	<u>\$ 10,123,652</u>	<u>\$ 10,011,831</u>
Change in Net Assets	\$ 160,623	\$ 588,834	\$ (22,302)	\$ 247,266
Net Assets, Beginning	\$ 4,348,287	\$ 3,759,453	\$ 3,781,755	\$ 3,534,489
Beginning Net Asset Restatement	0	0	0	0
Net Assets, Ending	\$ 4,508,910	\$ 4,348,287	\$ 3,759,453	\$ 3,781,755

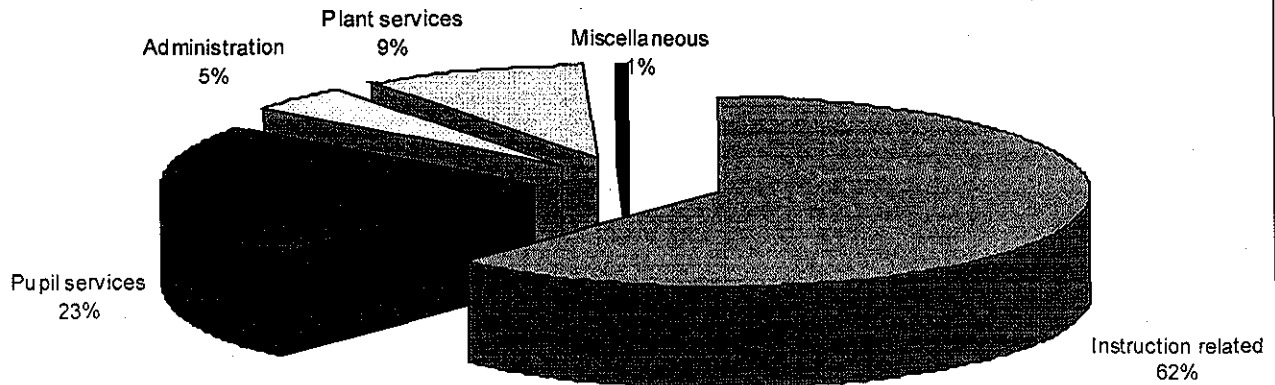
In the following chart District revenues are presented by major category.



District Expenses by Category

In the following pie chart we have presented District expenses for direct instruction for students in district operated programs; instruction-related expenses such as library and media services and school administration; student support services expenses such as nursing, psychological, guidance and counseling, transportation services, and food services; administration, which includes payroll and accounts payable processing, accounting, district fiscal accountability, as well as general administration; plant services, which includes maintenance and operations of our facilities; and finally some miscellaneous expenses related to ancillary and community services.

Southern Humboldt Joint Unified School District Expenses 2009-10



Financial Highlights

- Adequate reserve levels were maintained in the 2009-2010 year. The Governing board requires a minimum of 4.00% Unrestricted Reserves.
- Net assets *increased* by \$160,623 or 3.70%.

General Governmental Functions

The fund financial statements provide detailed information about the most significant funds – not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the district has established other funds to help control and manage money for particular purposes or to show compliance with legal requirements for using certain grants or other monies.

Governmental funds – All basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for a future period. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the operations and the basic service provided. Governmental fund information helps determine whether there are more or fewer financial resources available for the future. The differences between the results in the governmental fund financial statements and those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Fiduciary funds – The Southern Humboldt Joint Unified School District is trustee, or fiduciary, for funds held on behalf of others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from other financial statements because the

District cannot use these assets to finance its operation. As trustee, the district is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Governmental Fund Balance Changes

As of June 30, 2010, our governmental funds reported a combined fund balance of \$2.66 million, which is an *increase* of \$215,478 over last year.

The following significant activity is attributable to the *increase*:

1. The General Fund, our principal operating fund, *increased* by \$268,547. Most of the *increase* was due to the district responding to the State’s Fiscal Crisis and setting aside funds for future years rather than spending them in the current year.
2. The Special Reserve fund *increased* by \$9,214 to \$579,334. This increase is the result of interest received on the Fund.
3. The Deferred Maintenance Fund flexed to the General Fund.

District Fund Balances

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2010</u>	Increase	<u>(Decrease)</u>
General	\$ 1,732,983	\$2,001,530		\$ 268,547
Cafeteria	\$63,042	\$30,775		\$(32,267)
Retiree	\$535	\$545		\$10
Capital Outlay	\$1,287	\$1,313		\$26
Special Reserve	\$570,120	\$579,334		\$9,214
Deferred Maintenance	\$30,052	0		\$(30,052)
Adult Education	0	0		\$0
<i>Total</i>	\$2,398,019	\$2,613,497		\$215,478

General Fund Budgetary Highlights

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

- An increase in both revenue and expense from federal sources for the ARRA funds subsequent to the adoption of the District budget.
- Reductions in revenue and expenses to the Home to School Transportation funding, After School Education Safety Program and Class Size Reduction funds.

The major differences between the final budgeted and financial actuals included:

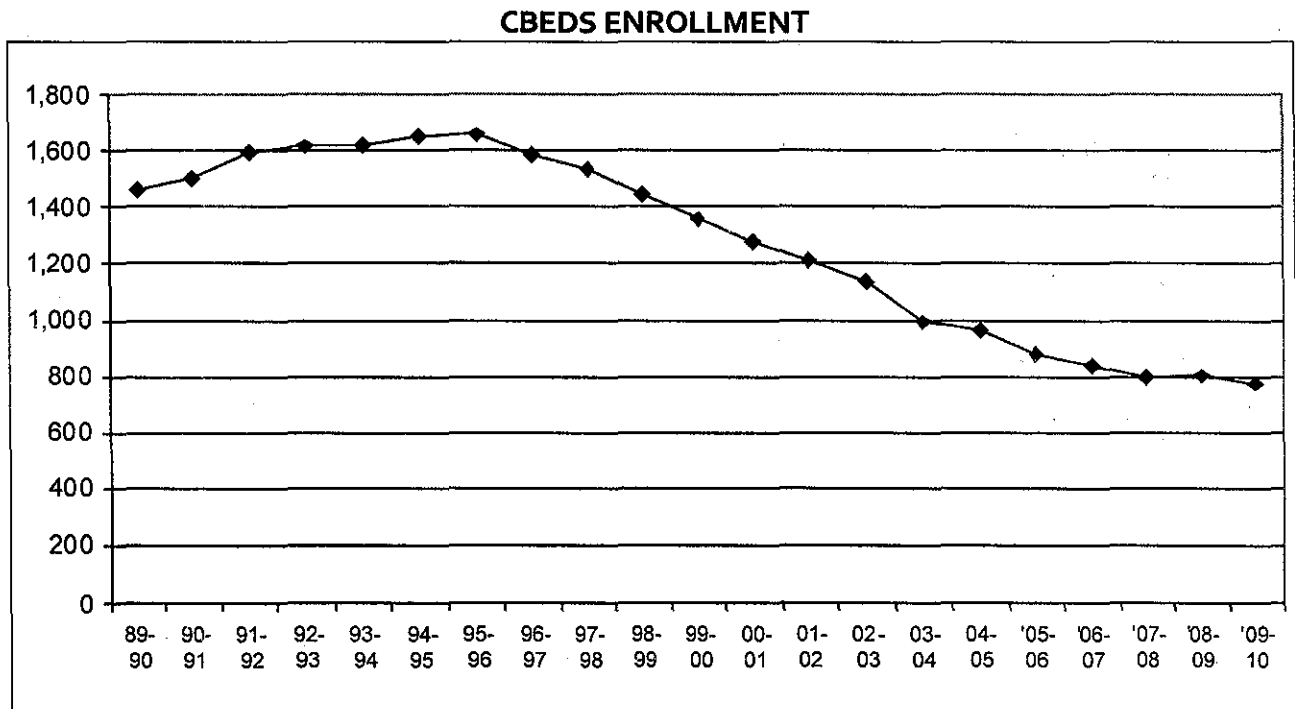
- Approximately \$28,738 additional funds for Deferred Maintenance, \$73,463 in Title II and \$7,390 in Title 1 funds were carried forward.

Financial Condition of General Fund

The District continues to maintain a responsible financial condition. It continued to take decisive actions to reduce expenses in response to declining enrollment and the State fiscal position. The ending balance *increased* by \$268,547 due to planned setting aside of restricted and unrestricted program revenues provided in the flexibility provisions of the State Budget. The District's reserves remain at the Governing Board's required minimum level of a 4.00%. The District ended the 2009-10 year with \$579,334 in its Special Reserve Fund. This amount was equal to 6.71% of the total year-end expenditures plus transfers out and other uses. The positive financial condition is a result of the Governing Board's requirements and policies, continued strong fiscal management by staff, and making decisions based on the long-term impact.

Declining Enrollment

District enrollment decreased by 27 students over the previous year. The District has undergone a decline in enrollment over the last thirteen years. Beginning with the 1995-96 school year through the current year the district's enrollment has declined by 881 students or 51.5%. The chart below displays the enrollment reported in October for the California Student Information System (CSIS) from 1989-1990 to 2009-2010.



District Indebtedness

As of June 30, 2010 the District has incurred \$182,611 of long-term debt as shown in the table below (more detailed information may be found in the Notes section to the financial statements). The largest source of indebtedness, as indicated in the table below, is for Early Retirement Incentives and Compensated Absences. The total long-term debt due within one year is \$84,160. During the 2009-10 fiscal year the District paid down its existing debt by \$44,839.

Outstanding Long-Term Debt

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>Percent Change</u>
Water Resources Board	\$ 20,746	\$ 19,315	- 6.90%
Early retirement incentives	46,356	32,911	-29.00%
Compensated absence	160,348	126,469	- 1.71%
Net OPEB obligations	<u>0</u>	<u>3,916</u>	<u>100.00%</u>
<i>Total</i>	\$ 227,450	\$ 182,611	- 6.49%

Capital Assets

The district's investment in capital assets amounts to \$2,016,455 (net of accumulated depreciation). This investment includes mainly land, school buildings, vehicles, furniture, and equipment.

The district's total net assets were *decreased* by \$97,720 or -4.62% over the prior fiscal year. This decrease is due mainly to the depreciation of capital assets and the sale of surplus property.

Capital Assets

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 158,799	\$ 144,404	-9.06%
Land Improvements	0	0	0.00%
Building	1,224,080	1,150,521	-6.01%
Furniture & Equipment	96,034	92,965	-3.20%
Vehicles	<u>635,262</u>	<u>628,565</u>	<u>-1.05%</u>
Total	\$ 2,114,175	\$ 2,016,455	-4.62%

Factors Bearing on the District's Financial Management

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

- Considerable uncertainties in future state and federal revenues and the impact of these lower potential lower revenues on the District's budget.
- The significant spending down of ending balances in 2010-11 and 2011-12 to mitigate the impact of decreased state and federal revenues.
- The unfunded liabilities for certificated and classified retiree health benefits.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Superintendent, Southern Humboldt Joint Unified School District, P.O. Box 650, Miranda, California 95553.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash in county treasury	\$ 2,147,323
Cash on hand and in banks	61,572
Cash in revolving fund	2,000
Accounts receivable	610,799
Stores inventories	4,269
Land	144,404
Buildings and improvements	4,853,347
Equipment	2,543,149
Less accumulated depreciation	(5,524,447)
Total assets	<u>4,842,416</u>
 <u>LIABILITIES</u>	
Accounts payable	103,143
Deferred revenue	47,751
Long-term liabilities:	
Due within one year:	
Water Resources Board	1,431
Early retirement	11,047
Compensated absences payable	71,682
Total due within one year	<u>84,160</u>
Due after one year:	
Net OPEB obligation	3,916
Water Resources Board	17,884
Early retirement	21,864
Compensated absences payable	54,788
Total due after one year	<u>98,452</u>
Total liabilities	<u>333,506</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,016,453
Restricted for:	
Capital projects	1,313
Educational programs	467,920
Other purposes (expendable)	31,320
Unrestricted	1,991,904
Total net assets	<u>\$ 4,508,910</u>

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,796,069	\$	\$ 1,193,109	\$ 0	\$ (3,602,960)
Instruction-related services:					
Supervision of instruction	55,722		55,508	0	(214)
Instructional library, media and technology	35,979		13,976	0	(22,003)
School site administration	462,996		3,737	0	(459,259)
Pupil services:					
Home-to-school transportation	1,084,212		1,050,436	0	(33,776)
Food services	308,024	51,399	173,438	0	(83,187)
All other pupil services	598,216		441,705	0	(156,511)
General administration:					
Centralized data processing	14,594			0	(14,594)
All other general administration	389,637		54,313	0	(335,324)
Plant services	815,456		103,130	0	(712,326)
Ancillary services	46,359	78	21,076	0	(25,205)
Community services	13,166		2,357	0	(10,809)
Interest on long-term debt	2,475			0	(2,475)
Other outgo	13,963		5,516	0	(8,447)
Total governmental activities	\$ 8,636,868	\$ 51,477	\$ 3,118,301	\$ 0	(5,467,090)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					3,105,147
Federal and state aid not restricted to specific purposes					2,000,147
Interest and investment earnings					36,805
Interagency revenues					85,225
Miscellaneous					91,996
Gain on sale of properties					308,393
Total general revenues, special and extraordinary items, and transfers					5,627,713
Change in net assets					160,623
Net assets beginning					4,348,287
Net assets ending					\$ 4,508,910

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2010

	General	Special Reserve Fund	Expendable Trust	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash in county treasury	\$ 1,563,142	\$ 577,095	\$ 0	\$ 7,086	\$ 2,147,323
Cash on hand and in banks	0	0	61,572	0	61,572
Cash in revolving fund	2,000	0	0	0	2,000
Accounts receivable	585,852	2,239	0	22,708	610,799
Due from other funds	0	0	0	0	0
Stores inventories	0	0	0	4,269	4,269
Total assets	\$ 2,150,994	\$ 579,334	\$ 61,572	\$ 34,063	\$ 2,825,963
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 101,713	\$ 0	\$ 0	\$ 1,430	\$ 103,143
Due to other funds	0	0	0	0	0
Deferred revenue	47,751	0	0	0	47,751
Tax revenue anticipation note	0	0	0	0	0
Total liabilities	149,464	0	0	1,430	150,894
Fund balances:					
Reserved for:					
Revolving fund and prepaid expenses	2,000	0	0	0	2,000
Stores inventories	0	0	0	4,269	4,269
Legally restricted balances	467,920	0	61,572	0	529,492
Unreserved:					
Designated for:					
Economic uncertainties	894,401	0	0	0	894,401
Other program carryovers	637,209	0	0	0	637,209
Undesignated, reported in:					
General fund - expendable trust	0	0	0	0	0
Special revenue funds	0	579,334	0	28,364	607,698
Total fund balances	2,001,530	579,334	61,572	32,633	2,675,069
Total liabilities and fund balances	\$ 2,150,994	\$ 579,334	\$ 61,572	\$ 34,063	\$ 2,825,963

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net assets
June 30, 2010

Total fund balances - governmental funds	\$	2,675,069
<p>Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$7,540,900 and the accumulated depreciation is \$(5,524,447).</p>		
		2,016,453
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Net OPEB obligation	\$	3,916
Water Resources Board		19,315
Early retirement		32,911
Compensated absences (vacation)		126,470
		<u>(182,612)</u>
Total net assets - governmental activities	\$	<u>4,508,910</u>

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures,

and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2010

	General	Special Reserve Fund	Expendable Trust	Other Governmental Funds	Total Governmental Funds
Revenues:					
Revenue limit sources:					
State apportionments	\$ 1,328,768	\$ 0	\$ 0	\$ 0	\$ 1,328,768
Local sources	3,105,147	0	0	0	3,105,147
Federal revenues	978,101	0	0	157,904	1,136,005
Other state revenues	2,049,771	0	0	98,743	2,148,514
Other local revenues	622,691	9,214	132,936	52,218	817,059
Total revenues	<u>8,084,478</u>	<u>9,214</u>	<u>132,936</u>	<u>308,865</u>	<u>8,535,493</u>
Expenditures:					
Instruction	4,752,275	0	0	0	4,752,275
Instruction-related services:					
Supervision of instruction	55,722	0	0	0	55,722
Instructional library, media and technology	28,065	0	0	0	28,065
School site administration	466,556	0	0	0	466,556
Pupil services:					
Home-to-school transportation	1,094,971	0	0	0	1,094,971
Food services	0	0	0	312,362	312,362
All other pupil services	593,820	0	46,395	0	640,215
General administration:					
Data processing services	14,594	0	0	0	14,594
All other general administration	397,340	0	0	0	397,340
Plant services	759,326	0	0	41,761	801,087
Facility acquisition and construction		0	0		0
Ancillary services	37,108	0	0	0	37,108
Community services	13,166	0	0	0	13,166
Transfer between agencies	13,963	0	0		13,963
Debt service:					
Principal	13,445	0	0	1,431	14,876
Interest	2,475	0	0	0	2,475
Total expenditures	<u>8,242,826</u>	<u>0</u>	<u>46,395</u>	<u>355,554</u>	<u>8,644,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158,348)</u>	<u>9,214</u>	<u>86,541</u>	<u>(46,689)</u>	<u>(109,282)</u>
Other financing sources (uses):					
Operating transfers in	160,120	0	0	56,013	216,133
Operating transfers out	(56,013)	0	(88,513)	(71,607)	(216,133)
Proceeds from sales of properties	322,788	0	0	0	322,788
Uses	0	0	0	0	0
Total other financing sources (uses)	<u>426,895</u>	<u>0</u>	<u>(88,513)</u>	<u>(15,594)</u>	<u>322,788</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other (uses)	<u>268,547</u>	<u>9,214</u>	<u>(1,972)</u>	<u>(62,283)</u>	<u>213,506</u>
Fund balances, July 1, 2009	<u>1,732,983</u>	<u>570,120</u>	<u>63,544</u>	<u>94,916</u>	<u>2,461,563</u>
Fund balances, June 30, 2010	<u>\$ 2,001,530</u>	<u>\$ 579,334</u>	<u>\$ 61,572</u>	<u>\$ 32,633</u>	<u>\$ 2,675,069</u>

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of
Revenue, Expenditures, and Changes in Fund Balances
To the Statement of Activities
Year Ended June 30, 2010

Total net change in fund balance - governmental funds	\$	213,506
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$148,327 is less than depreciation expense (\$231,654) in the period.</p>		
		(83,327)
<p>The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure.</p>		
Payment of Water Resources Board	\$	1,431
Payment of early retirement		<u>13,445</u>
		14,876
<p>Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is \$14,395.</p>		
		(14,395)
<p>In the statement of activities, OPEB cost are recognized on the accrual basis. In government funds, OPEB costs are recognized when actually paid</p>		
		(3,916)
<p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation used exceeded the amounts earned by \$33,879.</p>		
		<u>33,879</u>
Total change in net assets of governmental activities	\$	<u>160,623</u>

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2010

	<u>Agency Funds</u> <u>Student</u> <u>Body</u> <u>Funds</u>
ASSETS:	
Cash on hand and in banks	\$ <u>69,195</u>
Total assets	\$ <u><u>69,195</u></u>
LIABILITIES:	
Due to student groups	\$ <u>69,195</u>
Total liabilities	\$ <u><u>69,195</u></u>

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The district is the level of government primarily accountable for activities related to public education. The governing authority consists of seven elected officials who, together, constitute the Board of Trustees.

The district's combined financial statements include the accounts of all the district's operations. The criteria for including organizations as component units within the district's reporting entity, as set forth in GASB #14 The Financial Reporting Entity, include whether:

- * The organization is legally separate (can sue and be sued in their own name).
- * The district holds the powers of the organization.
- * The district appoints a voting majority of the organization's board.
- * The district is able to impose its will on the organization.
- * The district has the potential to impose a financial benefit/burden on the organization.
- * There is fiscal dependency by the organization on the district.

Based on the aforementioned criteria, the Southern Humboldt Unified School District has no component units.

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the district and its components units. Internal Service Fund activity if any, is eliminated to avoid doubling revenues and expenses.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Basis of Presentation (Cont.)

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements
Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the district, "available" means collectible within one year.

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

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Basis of Accounting (Cont.)

Expenses/Expenditures:

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

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

E. Fund Accounting

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

Major Governmental Funds:

- * The General Fund is the general operating fund of the district. It is used to account for all financial resources except those required to be accounted for in another fund.
- * The Special Reserve Fund was established to account for resources reserved for economic uncertainties.
- * The Foundation Fund (Expendable Trust) was established to account for funds received from private sector donations. These funds may be used for "one time" expenditures, including but not limited to the enhancement of instructional programs and repair/upgrade of facilities of the district.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Fund Accounting (Cont.)

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains five non-major special revenue funds:

- * The Cafeteria Fund is used to account for revenues received and expenditures made to operate the district's cafeterias.
- * The Capital Outlay Fund is used to account for revenues earmarked for capital projects.
- * The Deferred Maintenance Fund is used for the purpose of major repair or replacement of district property.
- * The Adult Education Fund is used to account for resources committed to adult education programs maintained by the district.
- * The Postemployment Benefits Fund is used to account for retirees' healthcare insurance.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the district acts as an agent. The district maintains an agency fund for the student body accounts. The district maintains three student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the district.

F. Budgets and Budgetary Accounting

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

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Budgets and Budgetary Accounting (Cont.)

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

G. 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 on June 30.

H. Assets, Liabilities, and Equity

1. Deposits and Investments:

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Stores Inventories and Prepaid Expenditures:

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Assets, Liabilities, and Equity (Cont.)

2. Stores Inventories and Prepaid Expenditures (Cont.):

The district's cafeteria inventories are valued at average cost using the First-In-First-Out (FIFO) method.

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

3. Compensated Absences:

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

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

4. Deferred Revenue:

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Capital Assets:

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Assets, Liabilities, and Equity (Cont.).

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Assets, Liabilities, and Equity (Cont.)

6. Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

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

7. Fund Balance Reserves and Designations:

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventories reflects the portions of fund balance represented by revolving fund cash and stores inventories, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Revenue Limit/Property Tax:

The district's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

8. Revenue Limit/Property Tax (Cont.):

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS

Cash on Hand, in Banks and in Revolving Funds:

Cash balances on hand, in banks, and revolving funds are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). These accounts are held within various financial institutions. As of June 30, 2010, the carrying amount of the district's accounts was \$61,572.

Cash in County Treasury:

In accordance with Education Code Section 41001, the district maintains substantially all of its cash with the County Treasury as part of the common investment pool, which totaled \$2,147,323 as of June 30, 2010. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$2,153,266. The district is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds, except for the payroll clearing fund, which is credited to the General Fund. The county is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. As of June 30, 2010, the County's investment pool was not rated.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Cont.)

Governmental Accounting Standards Board (GASB) statement number 31 requires that investments in external investment pools be stated at fair value. The district's policy of reporting these funds at cost does not result in a material misstatement of the financial statements. Fair value was based on quoted market prices. There were no investments that were reported at amortized cost. There is no formal regulatory oversight of the pool.

The district does not have a formal investment policy that limits its exposure to losses arising from increasing interest rates.

A summary of deposits as of June 30, 2010, is as follows:

	<u>Bank</u>	<u>Carrying</u>
Deposits:		
Cash in county treasury	\$ 2,153,266	\$ 2,147,323
Cash on hand and in banks	61,572	61,572
Cash in revolving fund	2,000	2,000
	<u>\$ 2,216,838</u>	<u>\$ 2,210,895</u>

NOTE 3 - FUND DEFICITS

The district has no fund deficits.

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2010, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditure:</u>
<u>Major Funds</u>	
<u>General Fund:</u>	
Certificated salaries	\$ 2,082
Classified salaries	3,196

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To):

There were no interfund receivables/payables at June 30, 2010.

Interfund Transfers:

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers from fiscal year 2009 - 2010 were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 160,120	\$ 56,013
Expendable trust:		
Transfer to general fund		88,513
All other funds:		
Cafeteria fund	56,013	
Deferred maintenance fund		71,602
Adult education fund		5
Total	\$ 216,133	\$ 216,133

Transfer of \$56,013 from the General Fund to the Cafeteria Fund to cover operating costs. The transfer from the Expendable Trust to the General Fund was to cover general expenditures. Transfer to Deferred Maintenance Fund to support expenditures.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 6 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, consist of the following:

	<u>General Fund</u>	<u>Special Reserve</u>	<u>All Other Governmental Funds</u>	<u>Totals</u>
Federal government:				
Categorical aid programs	\$ 137,288	\$ 0	\$ 20,985	\$ 158,273
State government:				
Categorical aid programs	108,956	0	1,432	110,388
Revenue limit	209,541	0	0	209,541
Transportation	64,973	0	0	64,973
Lottery	22,754	0	0	22,754
Total state government	<u>406,224</u>	<u>0</u>	<u>1,432</u>	<u>407,656</u>
Local government:				
Interest	8,347	2,239	291	10,877
Other	33,993	0		33,993
Total local government	<u>42,340</u>	<u>2,239</u>	<u>291</u>	<u>44,870</u>
Total accounts receivable	\$ <u>585,852</u>	\$ <u>2,239</u>	\$ <u>22,708</u>	\$ <u>610,799</u>

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 7 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 158,799	\$ 0	\$ 14,395	\$ 144,404
Total capital assets, not being depreciated	158,799	0	14,395	144,404
Capital assets, being depreciated:				
Buildings	4,368,840		101,131	4,267,709
Improvements of sites	656,347		70,709	585,638
Equipment	2,532,713	148,327	137,891	2,543,149
Total capital assets, being depreciated	7,557,900	148,327	309,731	7,396,496
Less accumulated depreciation for:				
Buildings	3,144,760	73,560	101,131	3,117,189
Improvements of sites	656,347	0	70,709	585,638
Equipment	1,801,417	158,094	137,891	1,821,620
Total accumulated depreciation	5,602,524	231,654	309,731	5,524,447
Total capital assets, being depreciated, net	1,955,376	(83,327)	0	1,872,049
Governmental activities capital assets, net	\$ 2,114,175	\$ (83,327)	\$ 14,395	\$ 2,016,453

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 41,836
Instructional library, media and technology	7,914
School site administration	615
Home-to-school transportation	147,526
Food services	4,148
Ancillary services	9,251
All other general administrative	1,036
Plant services	14,932
All other pupil services	4,396
Total Depreciation Expense	\$ 231,654

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 8 - GENERAL LONG-TERM DEBT

The district's annual requirements to amortize its long-term debt are as follows:

	<u>Paid Absences</u>	<u>Water Resources Board</u>	<u>Early Retirement</u>
2011	71,682	1,431	12,917
2012	6,087	1,431	13,922
2013	6,087	1,431	13,158
2014	6,087	1,431	0
2015	6,087	1,431	0
2016-2020	30,440	7,155	0
2021	0	5,005	0
			0
	126,470	19,315	39,997
Less: Interest	0	0	(7,086)
	<u>\$ 126,470</u>	<u>\$ 19,315</u>	<u>\$ 32,911</u>

A schedule of changes in long-term debt for the year ended June 30, 2010, is shown below:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Net OPEB obligation	\$ 0	\$ 3,916	\$	\$ 3,916	\$ 0
Water Resources Board	20,746	0	1,431	19,315	1,431
Early retirement incentives	46,356	0	13,445	32,911	11,047
Compensated absences	160,349		33,879	126,470	71,682
Total	<u>\$ 227,451</u>	<u>\$ 0</u>	<u>\$ 48,755</u>	<u>\$ 182,612</u>	<u>\$ 84,160</u>

The OPEB obligation and compensated absences will be paid by the fund for which the employee worked. Payments on early retirement are made by the general fund, and payments to the Water Resources Board are made by the Deferred Maintenance Fund.

The superintendent who retired June 30, 2009 was due \$95,212 of vacation pay. During 2009-10 he was paid \$34,337 and the balance of \$60,875 is to be paid interest free over ten years.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 9 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants:

The district has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the district may incur a liability to grantor agencies.

Self-Insurance:

The district is liable for any losses that exceed the assets of the Joint Powers Authority and the Self-Insured Schools of California.

Whitethorn

The district completed the pollution clean-up at the Whitethorn site on August 4, 2010.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

The School District implemented GASB Statement #45, Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pension for the fiscal year ended June 30, 2010. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

The district provides post-retirement health care benefits for employees who retire between the age of 55 and 65, with certain years of service. On June 30, 2010, 42 retirees met the requirements. The district pays medical premiums and also dental and vision premiums for certificated and classified retirees. If the premiums exceed certain limits, the retirees are liable for the difference. The benefits are paid for a period of 5 to 10 years but not beyond the age of 65 (70 for certificated).

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Cont.)

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 478,342
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
 Annual OPEB cost (expense)	 478,342
Contributions made	<u>474,426</u>
 Increase in net OPEB obligation	 3,916
Net OPEB obligation - beginning of year	<u>0</u>
 Net OPEB obligation - end of year	 <u>\$ 3,916</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 478,342	99%	\$ 3,916

As of April 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$5,038,011, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,038,011. The covered payroll (annual payroll of active employees covered by the Plan) was \$4.4 million, and the ratio of the UAAL to the covered payroll was 8 percent.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Cont.)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate (net of administrative expenses), which is based on assumed long-term investment returns on plan assets or the employer's assets, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over a 25 year period using the flat dollar method. The remaining amortization period at June 30, 2010, was 24 years.

As additional employees retire, the obligation will increase by an undetermined amount in future years. The district will fund this obligation with future revenues. An actuarial determination of this future obligation has not been obtained.

NOTE 11 - JOINT VENTURES - (Joint Powers Agreements)

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

The Southern Humboldt Unified School District participants in two joint ventures under a joint powers agreement (JPA) with the North Coast School Insurance Group. The relationship between the Southern Humboldt Unified School District and the JPA's is such the JPA's are not a component unit of the Southern Humboldt Unified School District for financial reporting purposes.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 11 - JOINT VENTURES - (Joint Powers Agreements) (Cont.)

Each member district pays a premium commensurate with the level of coverage requested. The district is covered under workers' compensation, liability, medical, vision, and dental insurance.

Condensed financial information is as follows:

	<u>JPA</u>	
	<u>June 30, 2009</u>	<u>June 30, 2009</u>
	<u>Property Liability Workers Comp.</u>	<u>Medical Dental & Vision Programs</u>
Total assets	\$ 5,493,833	\$ 8,029,863
Total liabilities	<u>2,011,977</u>	<u>3,109,700</u>
Net Assets	\$ <u>3,481,856</u>	\$ <u>4,920,163</u>
Total revenues	\$ 6,359,994	\$ 29,533,506
Total expenditures	<u>5,421,883</u>	<u>30,053,081</u>
Net increase (decrease) in fund balance	\$ <u>938,111</u>	\$ <u>(519,575)</u>

Complete financial statements for the joint ventures can be obtained at the district office.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

PERS

Plan Description:

The district contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefit, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (Cont.)

PERS

Plan Description:

the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy:

Active plan members are required to contribute 7.00% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2009-2010 was 9.71%. The contribution requirements of the plan members are established by state statute. For the fiscal years ending June 30, 2008, 2009, and 2010, the district contributed \$192,948, \$178,044 and \$170,624 respectively, and equal 100% of the required contributions for each year.

STRS

Plan Description:

The district contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy:

Active plan members are required to contribute 8.00% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The district's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010, were \$257,654, \$226,615 and \$222,060 respectively, and equal 100% of the required contributions for each year.

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2010

NOTE 13 - GENERAL OBLIGATION BONDS PAYABLE

On June 8, 2010 voters residing within the district passed Measure L authorizing the district to issue \$25,200,000 in general obligation bonds. The bonds are general obligations of the district, and the county is required to annually levy ad valorem taxes for payment of principal and interest of the bonds. Bond proceeds will be used for modernizing the district's schools.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT

Schedule of Revenues, Expenditures, and Changes in Fund

Balances - Budget and Actual (GAAP)

General Fund

Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive- (Negative)
	Original	Final		
Revenues:				
Revenue limit sources	\$ 4,900,921	\$ 4,380,220	\$ 4,433,915	\$ 53,695
Federal revenues	749,380	1,085,458	978,101	(107,357)
Other state revenues	2,350,449	2,024,000	2,049,771	25,771
Other local revenues	496,439	682,182	622,691	(59,491)
Total revenues	8,497,189	8,171,860	8,084,478	(87,382)
Expenditures:				
Certificated salaries	2,859,403	2,884,007	2,886,089	(2,082)
Classified salaries	1,773,300	1,736,513	1,739,709	(3,196)
Employee benefits	2,506,682	2,414,211	2,399,090	15,121
Books and supplies	531,060	427,623	361,517	66,106
Service and other operating expenditures	770,780	963,357	686,696	276,661
Capital outlay	92,399	139,843	139,842	1
Other outgo	17,572	23,356	13,963	9,393
Debt service:	0	0	0	
Principal	13,445	13,445	13,445	0
Interest	1,024	2,475	2,475	0
Total expenditures	8,565,665	8,604,830	8,242,826	362,004
Excess (deficiency) of revenues over (under) expenditures	(68,476)	(432,970)	(158,348)	274,622
Other financing sources (uses):				
Operating transfers in	0	42,864	160,120	117,256
Operating transfers (out)	(143,508)	(56,013)	(56,013)	0
Proceeds from sale of properties	0	322,788	322,788	0
Total other financing sources (uses)	(143,508)	309,639	426,895	117,256
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other (uses)	(211,984)	(123,331)	268,547	391,878
Fund balances, July 1, 2009	1,732,983	1,732,983	1,732,983	0
Fund balances, June 30, 2010	\$ 1,520,999	\$ 1,609,652	\$ 2,001,530	\$ 391,878

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

SOUTHERN HUMBOLDT UNIFIED SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual (GAAP)
Special Reserve Fund
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance with Final Budget Positive- (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources	\$	\$	\$	\$ 0
Federal revenues				0
Other state revenues				0
Other local revenues	15,000	10,000	9,214	(786)
Total revenues	<u>15,000</u>	<u>10,000</u>	<u>9,214</u>	<u>(786)</u>
Expenditures:				
Certificated salaries	0	0	0	0
Classified salaries	0	0	0	0
Employee benefits	0	0	0	0
Books and supplies	0	0	0	0
Service and other operating expenditures	0	0	0	0
Capital outlay	0	0	0	0
Other outgo	0	0	0	0
Debt service:	0	0	0	0
Principal	0	0	0	0
Interest	0	0	0	0
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,000</u>	<u>10,000</u>	<u>9,214</u>	<u>(786)</u>
Other financing sources (uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	0	0
Restricted programs				0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other (uses)	<u>15,000</u>	<u>10,000</u>	<u>9,214</u>	<u>(786)</u>
Fund balances, July 1, 2009	<u>570,120</u>	<u>570,120</u>	<u>570,120</u>	<u>0</u>
Fund balances, June 30, 2010	<u>\$ 585,120</u>	<u>\$ 580,120</u>	<u>\$ 579,334</u>	<u>\$ (786)</u>

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

GENERAL INFORMATION ABOUT THE COUNTY OF HUMBOLDT

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

General demographic information is set forth below for Humboldt County.

Population

The following table lists population figures for Humboldt County for the last five calendar years.

COUNTY OF HUMBOLDT Population Estimates Calendar Years 2007 through 2011

	2007 ⁽¹⁾	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽²⁾	2011 ⁽²⁾
Arcata	17,425	17,495	17,608	17,195	17,318
Blue Lake	1,165	1,161	1,168	1,249	1,265
Eureka	26,083	26,031	25,994	27,149	27,283
Ferndale	1,447	1,440	1,442	1,369	1,375
Fortuna	11,333	11,327	11,345	11,908	11,977
Rio Dell	3,276	3,272	3,279	3,361	3,382
Trinidad	313	311	310	366	368
Balance Of County	71,006	71,272	71,567	71,756	72,295
County Total	132,048	132,309	132,713	134,353	135,263

(1) 2000 Census Benchmark.

(2) 2010 Census Benchmark.

Source: State Department of Finance estimates.

Employment and Industry

The table below provides information about employment rates and employment by industry type for the County for calendar years 2006 through 2010.

COUNTY OF HUMBOLDT Civilian Labor Force, Employment and Unemployment Calendar Years 2006 through 2010 Annual Averages

	2006	2007	2008	2009	2010
Civilian Labor Force ⁽¹⁾	59,600	59,400	60,000	60,800	60,900
Employment	56,300	55,900	55,700	54,200	53,900
Unemployment	3,300	3,500	4,300	6,700	7,000
Unemployment Rate	5.5%	5.9%	7.2%	10.9%	11.5%
<u>Wage and Salary Employment⁽²⁾</u>					
Agriculture	1,200	1,300	1,200	1,000	800
Mining and Logging	400	500	500	300	400
Construction	2,600	2,400	2,300	1,900	1,700
Manufacturing	3,400	3,100	2,800	2,200	2,100
Wholesale Trade	1,100	1,000	1,000	1,000	1,000
Retail Trade	7,300	7,400	7,300	6,900	6,900
Transportation, Warehousing and Utilities	1,400	1,400	1,300	1,200	1,300
Information	700	700	700	600	600
Financial Activities	2,000	2,000	1,800	1,700	1,600
Professional and Business Services	3,200	3,100	3,200	2,800	2,900
Educational and Health Services	5,900	5,800	5,900	6,400	6,400
Leisure and Hospitality	5,300	5,200	5,200	5,100	5,200
Other Services	1,800	1,900	1,900	1,900	1,900
Federal Government	800	800	800	800	900
State Government	3,100	3,200	3,200	3,200	3,100
Local Government	9,900	10,000	10,000	9,800	9,700
Total, All Industries ⁽³⁾	50,100	49,700	49,000	46,800	46,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

The table below lists the major employers in the County as of January 1, 2011.

**COUNTY OF HUMBOLDT
Major Employers (Listed Alphabetically)
As of January 2011**

Employer Name	Location	Industry
Bettendorf Trucking	Arcata	Trucking
Blue Lake Casino	Blue Lake	Casinos
Caltrans	Eureka	Government Offices-State
College of the Redwoods	Eureka	Schools-Universities & Colleges Academic
Eureka City Clerks Office	Eureka	City Government- Executive Offices
Green Diamond Resource Co	Trinidad	Timber & Timberland Companies (Whol)
Green Diamond Resource Co.	Korbel	Logging Companies (Mfrs)
Humboldt County Social Svc Dept	Eureka	County Gov-Social/Human Resources
Humboldt County Office-Education	Eureka	Schools
Humboldt County Health Dept	Eureka	County Gov-Public Health Programs
Humboldt County Sheriff Dept	Eureka	Sheriff
Humboldt State University	Arcata	State University
Mad River Community Hospital	Arcata	Hospitals
Mental Health Svc Humboldt	Eureka	Clinics
Public Health Admin	Eureka	County Gov-Public Health Programs
Redwood Memorial Hospital	Fortuna	Hospitals
Sempervirens Psychiatric	Eureka	Mental Health Services
Sierra Pacific Industries	Arcata	Lumber
St Joseph Health System	Eureka	Hospitals
St Joseph Hospital	Eureka	Hospitals
Sun Valley Group	Arcata	Greenhouses
Target	Eureka	Department Stores
Trinidad Ranchera	Trinidad	Business Services
Umpqua Bank	Eureka	Banks
United Indian Health Svc	Arcata	Clinics

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

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the period 2005 through 2010.

COUNTY OF HUMBOLDT
Effective Buying Income
As of January 1, 2005 through 2010

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2005	Humboldt County	\$2,103,287	\$31,434
	California	720,798,106	44,681
	United States	5,894,663,363	40,529
2006	Humboldt County	\$2,181,348	\$31,896
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Humboldt County	\$2,397,920	\$34,454
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Humboldt County	\$2,279,358	\$32,980
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Humboldt County	\$2,334,673	\$33,459
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Humboldt County	\$2,220,518	\$31,841
	California	801,393,028	47,177
	United States	6,365,020,076	41,3678

Source: The Nielsen Company (US), Inc.

Commercial Activity

In 2009 the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. A summary of historic taxable sales within the City and County during 2005 through 2009 is shown in the following tables. Annual figures are not available for 2010.

COUNTY OF HUMBOLDT Taxable Transactions (Figures in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2005	2,122	\$1,176,032	4,802	\$1,611,351
2006	2,074	1,253,920	4,735	1,704,688
2007	1,996	1,251,293	4,712	1,727,732
2008	2,021	1,206,247	4,731	1,692,798
2009	3,229 ⁽¹⁾	1,129,977	4,532	1,544,584

(1) Not comparable to prior years. "Retail" category now includes "Food Services".
Source: State Board of Equalization.

During the first quarter of calendar year 2010, total taxable transactions in the County were reported to be \$396,181,0006 representing a 20.4% increase over the total taxable transactions of \$328,925,000 that were reported in the County during the first quarter of calendar year 2009.

Construction Activity

Building activity for the past five years in the County is shown in the following table.

COUNTY OF HUMBOLDT Total Building Permit Valuations (Valuations in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Permit Valuation</u>					
New Single-family	\$31,587.2	\$30,956.6	\$22,480.4	\$16,452.4	\$20,650.5
New Multi-family	11,824.0	3,875.3	6,122.3	1,193.1	2,115.7
Res. Alterations/Additions	<u>13,848.2</u>	<u>14,787.2</u>	<u>12,759.5</u>	<u>11,060.8</u>	<u>12,817.7</u>
Total Residential	57,259.5	49,619.0	41,362.2	28,706.3	35,583.8
New Commercial	14,089.6	6,541.1	5,585.8	5,847.3	9,335.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	6,629.1	9,904.0	6,719.4	2,907.3	4,786.1
Com. Alterations/Additions	<u>12,238.9</u>	<u>16,226.9</u>	<u>20,549.6</u>	<u>8,026.0</u>	<u>10,554.1</u>
Total Nonresidential	32,957.6	32,672.0	32,854.7	16,780.6	24,695.8
<u>New Dwelling Units</u>					
Single Family	316	306	212	160	165
Multiple Family	<u>153</u>	<u>71</u>	<u>120</u>	<u>22</u>	<u>24</u>
TOTAL	469	377	332	182	189

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

December 21, 2011

Board of Trustees
Southern Humboldt Joint Unified School District
110 School Road
Miranda, California 95553

OPINION: \$5,000,666.75 Southern Humboldt Joint Unified School District (Humboldt and Mendocino Counties, California) General Obligation Bonds, Election of 2010, Series B

Members of the Board of Trustees:

We have acted as bond counsel to the Southern Humboldt Joint Unified School District (the "District") in connection with the issuance by the District of \$5,000,666.75 principal amount of Southern Humboldt Joint Unified School District General Obligation Bonds, Election of 2010, Series B, dated the date hereof (the "Bonds"), pursuant to Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code (the "Act"), and a resolution of the Board of Trustees of the District (the "Board") adopted August 11, 2011, (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.
2. The Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District, enforceable upon the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District, and the Board of Supervisors of Humboldt County is required under the Act to levy an *ad valorem* tax upon the taxable property in the District, without regard to rate or amount, for the payment of principal of and interest on the Bonds.

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 imposed on individuals and corporations, it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the “Code”), such that in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest payable on the Bonds. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Bond Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Southern Humboldt Joint Unified School District (the "District") in connection with the issuance of \$5,000,666.75 aggregate principal amount of Southern Humboldt Joint Unified School District School District (Counties of Humboldt and Mendocino, California) General Obligation Bonds, 2010 Election, Series B (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Trustees of the District on August 11, 2011 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

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

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

"*Participating Underwriter*" means E. J. De La Rosa & Co., Inc., the original purchaser of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2012 with the report for the 2010-11 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 of this Disclosure Certificate; 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).

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The 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, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;
- (ii) pension plan contributions made by the District for the preceding fiscal year;
- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;
- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

- (v) the District's total revenue limit for the preceding fiscal year;
- (vi) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and
- (vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(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 City or other obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(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), and (a)(14) of this Section 5 contain the qualifier "if material." 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 the District determines the event's occurrence is material for purposes of U.S. federal securities law.

(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.

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 such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 21, 2011

SOUTHERN HUMBOLDT JOINT UNIFIED
SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Southern Humboldt Joint Unified School District
Name of Bond Issue: \$5,000,666.75 aggregate principal amount of Southern Humboldt Joint Unified School District (Counties of Humboldt and Mendocino, California) General Obligation Bonds, 2010 Election, Series B
Date of Issuance: December 21, 2011

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Trustees of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

**SOUTHERN HUMBOLDT JOINT UNIFIED
SCHOOL DISTRICT**

By: _____
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 issuer of the Bonds (the “District”) nor the Underwriter, the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

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) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is

the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 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 Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 certificates 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 DTC 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 the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security 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 notices be provided directly to them.

6. Redemption notices shall 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 any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend 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 Issuer or 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, Agent, or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G
ACCREDITED VALUE TABLE

[THIS PAGE INTENTIONALLY LEFT BLANK]

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2020 8.77%	CAB Bond 08/01/2021 8.77%	CAB Bond 08/01/2022 8.77%	CAB Bond 08/01/2023 8.77%	CAB Bond 08/01/2024 8.77%	CAB Bond 08/01/2025 8.77%	CAB Bond 08/01/2026 8.77%	CAB Bond 08/01/2027 8.77%	CAB Bond 08/01/2028 8.77%
12/21/2011	2,387.70	2,191.30	2,011.05	1,845.65	1,693.85	1,554.50	1,426.65	1,309.30	1,201.60
02/01/2012	2,410.55	2,212.30	2,030.30	1,863.30	1,710.05	1,569.40	1,440.30	1,321.85	1,213.10
08/01/2012	2,516.25	2,309.30	2,119.35	1,945.05	1,785.05	1,638.20	1,503.45	1,379.80	1,266.30
02/01/2013	2,626.60	2,410.55	2,212.30	2,030.30	1,863.30	1,710.05	1,569.40	1,440.30	1,321.85
08/01/2013	2,741.80	2,516.25	2,309.30	2,119.35	1,945.05	1,785.05	1,638.20	1,503.45	1,379.80
02/01/2014	2,862.00	2,626.60	2,410.55	2,212.30	2,030.30	1,863.30	1,710.05	1,569.40	1,440.30
08/01/2014	2,987.50	2,741.80	2,516.25	2,309.30	2,119.35	1,945.05	1,785.05	1,638.20	1,503.45
02/01/2015	3,118.50	2,862.00	2,626.60	2,410.55	2,212.30	2,030.30	1,863.30	1,710.05	1,569.40
08/01/2015	3,255.25	2,987.50	2,741.80	2,516.25	2,309.30	2,119.35	1,945.05	1,785.05	1,638.20
02/01/2016	3,398.00	3,118.50	2,862.00	2,626.60	2,410.55	2,212.30	2,030.30	1,863.30	1,710.05
08/01/2016	3,547.00	3,255.25	2,987.50	2,741.80	2,516.25	2,309.30	2,119.35	1,945.05	1,785.05
02/01/2017	3,702.55	3,398.00	3,118.50	2,862.00	2,626.60	2,410.55	2,212.30	2,030.30	1,863.30
08/01/2017	3,864.90	3,547.00	3,255.25	2,987.50	2,741.80	2,516.25	2,309.30	2,119.35	1,945.05
02/01/2018	4,034.40	3,702.55	3,398.00	3,118.50	2,862.00	2,626.60	2,410.55	2,212.30	2,030.30
08/01/2018	4,211.30	3,864.90	3,547.00	3,255.25	2,987.50	2,741.80	2,516.25	2,309.30	2,119.35
02/01/2019	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50	2,862.00	2,626.60	2,410.55	2,212.30
08/01/2019	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25	2,987.50	2,741.80	2,516.25	2,309.30
02/01/2020	4,789.95	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50	2,862.00	2,626.60	2,410.55
08/01/2020	5,000.00	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25	2,987.50	2,741.80	2,516.25
02/01/2021		4,789.95	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50	2,862.00	2,626.60
08/01/2021		5,000.00	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25	2,987.50	2,741.80
02/01/2022			4,789.95	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50	2,862.00
08/01/2022			5,000.00	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25	2,987.50
02/01/2023				4,789.95	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50
08/01/2023				5,000.00	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25
02/01/2024				4,789.95	4,395.95	4,034.40	3,702.55	3,398.00	3,118.50
08/01/2024				5,000.00	4,588.70	4,211.30	3,864.90	3,547.00	3,255.25
02/01/2025					4,789.95	4,395.95	4,034.40	3,702.55	3,398.00
08/01/2025					5,000.00	4,588.70	4,211.30	3,864.90	3,547.00
02/01/2026						4,789.95	4,395.95	4,034.40	3,702.55
08/01/2026						5,000.00	4,588.70	4,211.30	3,864.90
02/01/2027							4,789.95	4,395.95	4,034.40
08/01/2027							5,000.00	4,588.70	4,211.30
02/01/2028								4,789.95	4,395.95
08/01/2028								5,000.00	4,588.70
02/01/2029									4,789.95
08/01/2029									5,000.00

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2020 8.77%	CAB Bond 08/01/2021 8.77%	CAB Bond 08/01/2022 8.77%	CAB Bond 08/01/2023 8.77%	CAB Bond 08/01/2024 8.77%	CAB Bond 08/01/2025 8.77%	CAB Bond 08/01/2026 8.77%	CAB Bond 08/01/2027 8.77%	CAB Bond 08/01/2028 8.77%
02/01/2030									
08/01/2030									
02/01/2031									
08/01/2031									
02/01/2032									
08/01/2032									
02/01/2033									
08/01/2033									
02/01/2034									
08/01/2034									
02/01/2035									
08/01/2035									
02/01/2036									
08/01/2036									
02/01/2037									
08/01/2037									
02/01/2038									
08/01/2038									
02/01/2039									
08/01/2039									
02/01/2040									
08/01/2040									
02/01/2041									
08/01/2041									

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2029 8.77%	CAB Bond 08/01/2030 8.77%	CAB Bond 08/01/2031 6.39%	CAB Bond 08/01/2032 6.48%	CAB Bond 08/01/2033 6.55%	CAB Bond 08/01/2034 6.62%	CAB Bond 08/01/2035 6.67%	CAB Bond 08/01/2036 6.7%	CAB Bond 08/01/2037 6.72%
12/21/2011	1,102.75	1,012.05	1,456.25	1,343.15	1,241.80	1,146.60	1,062.10	987.55	920.00
02/01/2012	1,113.35	1,021.75	1,466.50	1,352.70	1,250.75	1,154.95	1,069.85	994.80	926.80
08/01/2012	1,162.15	1,066.55	1,513.35	1,396.50	1,291.70	1,193.15	1,105.55	1,028.15	957.95
02/01/2013	1,213.10	1,113.35	1,561.70	1,441.75	1,334.00	1,232.65	1,142.40	1,062.60	990.10
08/01/2013	1,266.30	1,162.15	1,611.60	1,488.45	1,377.70	1,273.45	1,180.50	1,098.20	1,023.40
02/01/2014	1,321.85	1,213.10	1,663.05	1,536.70	1,422.80	1,315.60	1,219.90	1,135.00	1,057.75
08/01/2014	1,379.80	1,266.30	1,716.20	1,586.50	1,469.40	1,359.15	1,260.60	1,173.00	1,093.30
02/01/2015	1,440.30	1,321.85	1,771.05	1,637.90	1,517.55	1,404.15	1,302.60	1,212.30	1,130.05
08/01/2015	1,503.45	1,379.80	1,827.65	1,690.95	1,567.25	1,450.60	1,346.05	1,252.90	1,168.00
02/01/2016	1,569.40	1,440.30	1,886.00	1,745.75	1,618.55	1,498.65	1,390.95	1,294.90	1,207.25
08/01/2016	1,638.20	1,503.45	1,946.30	1,802.30	1,671.60	1,548.25	1,437.35	1,338.25	1,247.85
02/01/2017	1,710.05	1,569.40	2,008.45	1,860.70	1,726.30	1,599.50	1,485.30	1,383.10	1,289.75
08/01/2017	1,785.05	1,638.20	2,072.65	1,921.00	1,782.85	1,652.45	1,534.80	1,429.45	1,333.10
02/01/2018	1,863.30	1,710.05	2,138.85	1,983.25	1,841.25	1,707.15	1,586.00	1,477.30	1,377.90
08/01/2018	1,945.05	1,785.05	2,207.20	2,047.50	1,901.55	1,763.65	1,638.90	1,526.80	1,424.20
02/01/2019	2,030.30	1,863.30	2,277.70	2,113.80	1,963.85	1,822.00	1,693.55	1,577.95	1,472.05
08/01/2019	2,119.35	1,945.05	2,350.50	2,182.30	2,028.15	1,882.30	1,750.05	1,630.80	1,521.50
02/01/2020	2,212.30	2,030.30	2,425.60	2,253.00	2,094.55	1,944.65	1,808.40	1,685.45	1,572.65
08/01/2020	2,309.30	2,119.35	2,503.10	2,326.00	2,163.15	2,009.00	1,868.70	1,741.90	1,625.45
02/01/2021	2,410.55	2,212.30	2,583.05	2,401.40	2,234.00	2,075.50	1,931.05	1,800.30	1,680.10
08/01/2021	2,516.25	2,309.30	2,665.60	2,479.20	2,307.15	2,144.20	1,995.45	1,860.60	1,736.55
02/01/2022	2,626.60	2,410.55	2,750.75	2,559.50	2,382.75	2,215.15	2,062.00	1,922.90	1,794.90
08/01/2022	2,741.80	2,516.25	2,838.65	2,642.45	2,460.75	2,288.50	2,130.75	1,987.35	1,855.20
02/01/2023	2,862.00	2,626.60	2,929.35	2,728.05	2,541.35	2,364.25	2,201.80	2,053.90	1,917.55
08/01/2023	2,987.50	2,741.80	3,022.95	2,816.45	2,624.60	2,442.50	2,275.25	2,122.70	1,981.95
02/01/2024	3,118.50	2,862.00	3,119.50	2,907.70	2,710.55	2,523.35	2,351.10	2,193.85	2,048.55
08/01/2024	3,255.25	2,987.50	3,219.20	3,001.90	2,799.30	2,606.85	2,429.55	2,267.30	2,117.40
02/01/2025	3,398.00	3,118.50	3,322.05	3,099.20	2,891.00	2,693.15	2,510.55	2,343.30	2,188.55
08/01/2025	3,547.00	3,255.25	3,428.15	3,199.60	2,985.70	2,782.30	2,594.30	2,421.80	2,262.05
02/01/2026	3,702.55	3,398.00	3,537.70	3,303.25	3,083.45	2,874.40	2,680.80	2,502.90	2,338.05
08/01/2026	3,864.90	3,547.00	3,650.75	3,410.30	3,184.45	2,969.55	2,770.20	2,586.75	2,416.65
02/01/2027	4,034.40	3,702.55	3,767.40	3,520.80	3,288.75	3,067.85	2,862.60	2,673.40	2,497.85
08/01/2027	4,211.30	3,864.90	3,887.75	3,634.85	3,396.45	3,169.35	2,958.05	2,763.00	2,581.75
02/01/2028	4,395.95	4,034.40	4,011.95	3,752.60	3,507.70	3,274.30	3,056.70	2,855.55	2,668.50
08/01/2028	4,588.70	4,211.30	4,140.15	3,874.20	3,622.55	3,382.65	3,158.65	2,951.20	2,758.15
02/01/2029	4,789.95	4,395.95	4,272.40	3,999.75	3,741.20	3,494.65	3,264.00	3,050.05	2,850.85
08/01/2029	5,000.00	4,588.70	4,408.95	4,129.35	3,863.70	3,610.30	3,372.85	3,152.25	2,946.65

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2029 8.77%	CAB Bond 08/01/2030 8.77%	CAB Bond 08/01/2031 6.39%	CAB Bond 08/01/2032 6.48%	CAB Bond 08/01/2033 6.55%	CAB Bond 08/01/2034 6.62%	CAB Bond 08/01/2035 6.67%	CAB Bond 08/01/2036 6.7%	CAB Bond 08/01/2037 6.72%
02/01/2030		4,789.95	4,549.80	4,263.10	3,990.25	3,729.80	3,485.35	3,257.85	3,045.65
08/01/2030		5,000.00	4,695.15	4,401.25	4,120.95	3,853.25	3,601.60	3,367.00	3,148.00
02/01/2031			4,845.15	4,543.85	4,255.90	3,980.80	3,721.70	3,479.80	3,253.75
08/01/2031			5,000.00	4,691.05	4,395.30	4,112.55	3,845.80	3,596.35	3,363.10
02/01/2032				4,843.05	4,539.25	4,248.70	3,974.05	3,716.85	3,476.10
08/01/2032				5,000.00	4,687.90	4,389.35	4,106.60	3,841.35	3,592.85
02/01/2033					4,841.40	4,534.60	4,243.55	3,970.05	3,713.60
08/01/2033					5,000.00	4,684.70	4,385.10	4,103.05	3,838.35
02/01/2034						4,839.80	4,531.35	4,240.50	3,967.35
08/01/2034						5,000.00	4,682.45	4,382.55	4,100.65
02/01/2035							4,838.60	4,529.35	4,238.45
08/01/2035							5,000.00	4,681.10	4,380.85
02/01/2036								4,837.90	4,528.05
08/01/2036								5,000.00	4,680.20
02/01/2037									4,837.45
08/01/2037									5,000.00
02/01/2038									
08/01/2038									
02/01/2039									
08/01/2039									
02/01/2040									
08/01/2040									
02/01/2041									
08/01/2041									

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2038 6.73%	CAB Bond 08/01/2039 6.74%	CAB Bond 08/01/2040 6.75%	CAB Bond 08/01/2041 6.76%
12/21/2011	858.95	801.80	748.30	698.20
02/01/2012	865.30	807.70	753.85	703.40
08/01/2012	894.40	834.95	779.25	727.15
02/01/2013	924.50	863.05	805.55	751.75
08/01/2013	955.60	892.15	832.75	777.15
02/01/2014	987.75	922.25	860.85	803.45
08/01/2014	1,021.00	953.30	889.90	830.60
02/01/2015	1,055.35	985.45	919.95	858.65
08/01/2015	1,090.90	1,018.65	951.00	887.70
02/01/2016	1,127.60	1,052.95	983.10	917.70
08/01/2016	1,165.55	1,088.45	1,016.30	948.70
02/01/2017	1,204.75	1,125.15	1,050.60	980.75
08/01/2017	1,245.30	1,163.05	1,086.05	1,013.95
02/01/2018	1,287.20	1,202.25	1,122.70	1,048.20
08/01/2018	1,330.50	1,242.75	1,160.60	1,083.65
02/01/2019	1,375.30	1,284.65	1,199.75	1,120.25
08/01/2019	1,421.55	1,327.95	1,240.25	1,158.10
02/01/2020	1,469.40	1,372.70	1,282.10	1,197.25
08/01/2020	1,518.85	1,418.95	1,325.40	1,237.75
02/01/2021	1,569.95	1,466.80	1,370.10	1,279.55
08/01/2021	1,622.80	1,516.20	1,416.35	1,322.80
02/01/2022	1,677.40	1,567.30	1,464.15	1,367.55
08/01/2022	1,733.85	1,620.15	1,513.60	1,413.75
02/01/2023	1,792.20	1,674.75	1,564.65	1,461.55
08/01/2023	1,852.50	1,731.15	1,617.45	1,510.95
02/01/2024	1,914.85	1,789.50	1,672.05	1,562.00
08/01/2024	1,979.30	1,849.80	1,728.50	1,614.80
02/01/2025	2,045.90	1,912.15	1,786.85	1,669.40
08/01/2025	2,114.70	1,976.60	1,847.15	1,725.80
02/01/2026	2,185.90	2,043.20	1,909.50	1,784.15
08/01/2026	2,259.45	2,112.05	1,973.90	1,844.45
02/01/2027	2,335.45	2,183.25	2,040.55	1,906.80
08/01/2027	2,414.05	2,256.80	2,109.40	1,971.25
02/01/2028	2,495.30	2,332.90	2,180.60	2,037.90
08/01/2028	2,579.25	2,411.50	2,254.20	2,106.75
02/01/2029	2,666.05	2,492.75	2,330.30	2,177.95
08/01/2029	2,755.75	2,576.75	2,408.95	2,251.60

BOND ACCRETED VALUE TABLE

Southern Humboldt Joint Unified School District
Election of 2010, Series B

Date	CAB Bond 08/01/2038 6.73%	CAB Bond 08/01/2039 6.74%	CAB Bond 08/01/2040 6.75%	CAB Bond 08/01/2041 6.76%
02/01/2030	2,848.50	2,663.60	2,490.25	2,327.70
08/01/2030	2,944.35	2,753.35	2,574.30	2,406.35
02/01/2031	3,043.45	2,846.15	2,661.15	2,487.70
08/01/2031	3,145.85	2,942.10	2,751.00	2,571.80
02/01/2032	3,251.70	3,041.25	2,843.80	2,658.70
08/01/2032	3,361.15	3,143.70	2,939.80	2,748.60
02/01/2033	3,474.25	3,249.65	3,039.00	2,841.50
08/01/2033	3,591.15	3,359.15	3,141.60	2,937.55
02/01/2034	3,712.00	3,472.40	3,247.60	3,036.80
08/01/2034	3,836.90	3,589.40	3,357.25	3,139.45
02/01/2035	3,966.00	3,710.35	3,470.55	3,245.60
08/01/2035	4,099.45	3,835.40	3,587.65	3,355.30
02/01/2036	4,237.40	3,964.65	3,708.75	3,468.70
08/01/2036	4,380.00	4,098.25	3,833.90	3,585.95
02/01/2037	4,527.40	4,236.40	3,963.30	3,707.15
08/01/2037	4,679.75	4,379.15	4,097.10	3,832.45
02/01/2038	4,837.20	4,526.70	4,235.35	3,961.95
08/01/2038	5,000.00	4,679.30	4,378.30	4,095.90
02/01/2039		4,836.95	4,526.05	4,234.35
08/01/2039		5,000.00	4,678.80	4,377.45
02/01/2040			4,836.75	4,525.40
08/01/2040			5,000.00	4,678.35
02/01/2041				4,836.50
08/01/2041				5,000.00