

NEW ISSUE – FULL BOOK-ENTRY

RATING: Moody's: Aa3 "RATING"
(See "RATING" herein)

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, 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. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.



\$24,175,000*
PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
General Obligation Bonds, Election of 2016, Series B

Dated: Date of Delivery

Due: August 1, as shown herein

Issuance. The \$24,175,000* Plumas Unified School District (Plumas County, California) General Obligation Bonds, Election of 2016, Series B (the "Bonds") are being issued by the Plumas Unified School District (the "District"), located in Plumas County, California (the "County"), pursuant to a resolution of the District adopted on January 16, 2019 (the "Resolution"), and certain provisions of the Government and Education Codes of the State of California (the "State").

Authorization. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016 (the "Election"), at which the requisite 55% or more of the persons voting on Measure B voted to authorize the issuance and sale of up to \$50,000,000 principal amount of general obligation bonds of the District (the "2016 Authorization"). The Bonds constitute the second series of bonds issued pursuant to the 2016 Authorization.

Purpose. The Bonds are being issued pursuant to the 2016 Authorization to (i) finance or reimburse the costs of construction, repair, modernization, acquisition, and equipping of school classrooms, facilities, and school sites within the District; (ii) partially fund capitalized interest on the Bonds through August 1, 2021*; and (iii) pay costs of issuance of the Bonds. See "THE BONDS – Authority for Issuance" and "THE BONDS – Purpose of Issue" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County of Plumas is empowered and is obligated to levy and collect *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the District's payment of principal of and interest on the Bonds, all as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

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 for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them.

Payments.* The Bonds are dated the date of delivery and are being issued as Current Interest Serial Bonds and/or Current Interest Term Bonds (all as defined herein). The Bonds shall be issued in denominations of \$5,000 principal amount and integral multiples thereof and accrue interest from the dated date at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2019. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

MATURITY SCHEDULE

(See Inside Front Cover)

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

Insurance. The District has applied for an insurance policy to insure payment of all or part of the principal of an interest on the Bonds. As of this date the District has not determined if such insurance would be cost effective and so has not yet accepted a commitment for insurance.

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 will be offered when, as, and if issued and received by the Underwriter, subject to the approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, and subject to certain other conditions. Lozano Smith, LLP, Sacramento, California, is acting as Disclosure Counsel to the District. Nixon Peabody LLP, is serving as Underwriter's Counsel. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC on or about February 20, 2019.



The date of this Official Statement is _____.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$24,175,000*

PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)

GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES B
BASE CUSIP[†]: 729297

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP [†]
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				

\$ _____ * __% Term Bond maturing August 1, 20__*, priced at __% to yield __%. CUSIP[†]: __

\$ _____ * __% Term Bond maturing August 1, 20__*, priced at __% to yield __%. CUSIP[†]: __

* Preliminary; subject to change.

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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 note or bond owner and the District or the Underwriter.

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

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

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

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

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

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

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

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

Rule 15c2-12. For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

**PLUMAS UNIFIED SCHOOL DISTRICT
PLUMAS COUNTY
STATE OF CALIFORNIA**

DISTRICT BOARD OF EDUCATION

Leslie Edlund, *President*
Traci Holt, *Clerk*
Joleen Cline, *Member*
Dwight Pierson, *Member*
Dave Keller, *Member*

DISTRICT ADMINISTRATION

Terry Oestreich, *Superintendent*
Lisa Cavin, *Deputy Superintendent - Business Services*

FINANCIAL ADVISOR

Capitol Public Finance Group, LLC
Roseville, California

BOND COUNSEL and DISCLOSURE COUNSEL

Lozano Smith, LLP
Sacramento, California

UNDERWRITER'S COUNSEL

Nixon Peabody LLP
Los Angeles, California

PAYING AGENT

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

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\$24,175,000*

PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES B

INTRODUCTION

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

The purpose of this Official Statement, which includes the cover page, the inside cover page, and all appendices hereto (the “**Official Statement**”), is to provide certain information concerning the issuance, sale and delivery of the Plumas Unified School District (Plumas County, California) (the “**District**”), General Obligation Bonds, Election of 2016, Series B (the “**Bonds**”).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See “CONTINUING DISCLOSURE” herein.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that 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 that are believed to be reliable but 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.

Copies of documents referred to herein and information concerning the Bonds are available from the District by contacting the Deputy Superintendent, Business Services, Plumas Unified

* Preliminary, subject to change.

School District, 1446 East Main Street, Quincy, California 95971; (530) 283-6500. The District may impose a charge for copying, mailing, and handling.

The District

The District is a unified school district serving students from an approximately 2,100-square-mile area in Plumas County (the “**County**”). The District operates eight schools, including four elementary schools and four junior-senior high schools. The District’s current enrollment is approximately 1841 students.

The District is governed by a five member Board of Education (the “**Board**”), each member of which is elected to a four year term. Board members do not receive a salary. Elections for positions to the Board are held every two years, with half of the board elected in each odd numbered year. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day to day District operations as well as the supervision of the District’s other personnel. See APPENDIX A – “General and Financial Information about the District” and APPENDIX C – “Audit Report of the District for Fiscal Year Ended June 30, 2018” herein.

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Article 4.5 (commencing with Section 53506) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable provisions of law (the “**Bond Law**”) and a resolution adopted by the Board of Education on January 16, 2019 (the “**Resolution**”), providing for the issuance of the Bonds. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016 (the “**Bond Election**”), at which election at least 55% of the voters voting on the proposition authorized the issuance of up to \$50,000,000 aggregate principal amount of general obligation bonds (the “**2016 Authorization**”) for the purpose of financing the construction, renovation, modernization, and equipping of the District’s school facilities. The Bonds will be the second series of bonds issued under the 2016 Authorization. Capitalized undefined terms used in this Official Statement have the meanings ascribed thereto in the Resolution.

Purpose of Issue

The net proceeds from the Bonds will be used (i) to finance or reimburse the costs of construction, repair, modernization, acquisition, and equipping of school classrooms, facilities, and school sites within the District; (ii) to partially fund capitalized interest on the Bonds through August 1, 2021*; and (iii) to pay costs of issuance of the Bonds. See “THE BONDS – Authority for Issuance,” “– Estimated Sources and Uses of Funds,” and “– Application and Investment of Bond Proceeds” herein.

** Preliminary, subject to change.

Description of the Bonds

The Bonds will be dated their date of delivery (the “**Delivery Date**”) and will be issued as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof, dated as of the Delivery Date, and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available 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.”

Payment of Principal and Interest

The Bonds will be issued as current interest serial and/or term bonds as set forth on the inside front cover hereof.

Interest. The Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year, commencing on August 1, 2019 (each, an “**Interest Payment Date**”), computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the “**Record Date**”) and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Bond, interest is in default on any outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds.

Payment of Bonds. Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable in lawful money of the United States of America by check or draft mailed to the Owner thereof at such Owner’s address as it appears on the Bond Register at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to such account as shall be specified in such written request. Principal of, and premium (if any), on the Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

Paying Agent

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, 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 covered by such notice.

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

Redemption

*Optional Redemption of Bonds.** The Bonds maturing on or before August 1, 2027 are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 2028 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2027 at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

*Mandatory Sinking Fund Redemption of Bonds.** The Term Bonds maturing on August 1, 20__, and August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Principal Amount to be Redeemed
+	\$
Total	\$

† Maturity

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* Preliminary; subject to change.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Principal Amount to be Redeemed
†	\$
Total	\$

† Maturity

The principal amount to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of such term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the Bonds will be redeemed as directed by the District. Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Bonds of such maturity to be redeemed by lot in any manner determined by the District. For purposes of such selection, each Bond will be deemed to consist of individual Bonds of denominations of \$5,000 principal amount, which may be separately redeemed.

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 redemption shall be mailed by the Paying Agent, first class postage prepaid, to the respective owners of any Bonds designated for redemption at their address appearing on the books required to be kept by the Paying Agent, not less than twenty (20) nor more than sixty (60) days prior to the redemption date. Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of bonds and the original date of issue the Bonds; (iii) the specific Bonds or designated portions of the principal amount thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed; (iv) the interest rate or rates and the dates of maturity or maturities of the Bonds to be redeemed in whole or in part; (v) the date of redemption; (vi) the redemption price; (vii) the place or places where the redemption will be made, including the name and address of the Paying Agent, (viii) the CUSIP numbers (if any) assigned to the Bonds to be redeemed in whole or in part; (ix) notice that further interest on the Bonds (or portions thereof) to be redeemed will not accrue after the designated redemption date; and (x) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure of the Owners of any Bonds or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

In addition to the notice of redemption given pursuant to the above requirements, further notice shall be given by the Paying Agent as set forth below, but no defect in said further notice, nor any

failure to give all or any portion of such further notice, shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

Each further notice of redemption shall be sent at least twenty (20) days before the redemption date by registered or certified mail or overnight delivery service to each of the Securities Depositories which are then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more of the Informational Services that disseminate notice of redemption of obligations similar to the Bonds or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other securities depositories and services providing information on called Bonds, or no such securities depositories and services, as the District may designate in a certificate delivered to the Paying Agent. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

A certificate of the Paying Agent that notice of redemption has been given to owners of any Bond as herein provided shall be conclusive as against all parties. Neither the failure to receive the notice of redemption as provided in this Section, nor any defect in such notice shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Bonds called for redemption is set aside for redemption, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the Interest and Sinking fund established for such purpose within the Plumas County treasury (the "**Interest and Sinking Fund**"). All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Prior to or on the redemption date of any Bonds there shall be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices set forth in the Resolution, the Bonds designated in the notice of redemption. Such monies shall be applied on or after the redemption date solely for payment of principal of, and interest and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds, provided that all monies in the Interest and Sinking Fund shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Bonds, the monies shall be held in or returned or transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the District, the monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time

outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

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 Principal 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 District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Bonds called for redemption is set aside, the Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the redemption premium thereon, if any, only to monies on deposit for that purpose in the Interest and Sinking Fund. All Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption monies are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given, except with respect to timing requirements. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount of any other authorized denomination upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance of Bonds

The District may pay and discharge any or all of the Bonds by irrevocably depositing in trust with the Paying Agent at or before maturity, money or Federal Securities maturing as to principal and interest in such amounts and at such times as will, in the opinion of a certified public accountant, 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. "Federal Securities" means United States Treasury notes, bonds, bills, or certificates of indebtedness (including zero interest bearing State and Local Government Series) 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 (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), and which are not callable by the issuer thereof prior to maturity.

Unclaimed Monies

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on any of the Bonds and remaining unclaimed for one year after the principal of all of such Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund of the District for payment of any outstanding Bonds of the District payable from said fund; or, if no such Bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Bond Proceeds

The net proceeds from the sale of the Bonds (net of costs of issuance paid by the Paying Agent under a separate agreement) will be deposited in the Plumas County treasury (a) to the credit of the building fund of the District (the "**Building Fund**"), and (b) to the credit of the Interest and Sinking Fund of the District. See "Estimated Sources and Uses of Funds" herein.

All funds held by the Plumas County Treasurer-Tax Collector (the "**County Treasurer**") in the Building Fund and the Interest and Sinking Fund shall be invested on behalf of the District by the County Treasurer at the County Treasurer's discretion in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of Plumas County. See "THE COUNTY OF PLUMAS INVESTMENT POOL" below and APPENDIX G – "PLUMAS COUNTY INVESTMENT POLICY AND MONTHLY INVESTMENT REPORT."

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Estimated Sources and Uses of Funds

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

TABLE No. 1
PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
General Obligation Bonds, Election of 2016, Series B
Estimated Sources and Uses of Funds

Sources of Funds:

Principal Amount of Bonds
Plus Net Original Issue Premium

Total Sources of Funds

Uses of Funds:

Deposit to Building Fund
Deposit to Interest and Sinking Fund
Underwriter's Discount
Costs of Issuance ⁽¹⁾

Total Uses of Funds

⁽¹⁾ Includes bond counsel fees, disclosure counsel fees, rating agency fees, financial advisory fees, paying agent fees, printing fees, municipal bond insurance premium (if any), and other miscellaneous expenses.

DEBT SERVICE SCHEDULES

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

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Table No. 2
PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
General Obligation Bonds, 2016 Election, Series B

Period Ending (August)	Principal	Interest	Annual Debt Service
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
TOTAL			

Other General Obligation Bonds

2002 Election. The District authorized general obligation bonds at a regularly scheduled election of the registered voters in the District held on November 5, 2002, at which more than 55% of the voters authorized the issuance and sale of \$15 million of general obligation bonds (the “**2002 Authorization**”) to renovate, construct, and modernize classrooms and school facilities. On April 30, 2005, the District issued a first series of bonds under the 2002 Authorization in the aggregate initial principal amount of \$9,998,602 (the “**Series 2002A Bonds**”). The Series 2002A Bonds are no longer outstanding as of August 1, 2017. On September 14, 2005, the District issued a second and final series of bonds under the 2002 Authorization in the aggregate initial principal amount of \$5,000,725 (the “**Series 2002B Bonds**”).

2005 Refunding. On September 14, 2005, the District issued \$7,255,000 in general obligation refunding bonds (the “**2005 Refunding Bonds**”) to advance refund a portion of the Series 2002A Bonds maturing on and after August 1, 2021.

2016 Refunding. On November 9, 2016, the District issued \$4,246,000 in general obligation refunding bonds (the “**2016 Refunding Bonds**”) to currently refund a portion of the Series 2002B Bonds maturing on August 1, 2026.

2016 Election. The District authorized general obligation bonds at a regularly scheduled election of the registered voters in the District held on November 8, 2016, at which more than 55% of the voters authorized the issuance and sale of \$50 million of general obligation bonds (the “**2016 Authorization**”) to renovate, construct, and modernize classrooms and school facilities. On June 7, 2017, the District issued a first series of bonds under the 2016 Authorization in the aggregate initial principal amount of \$9,920,000 (the “**Series 2016A Bonds**”).

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In addition to the Bonds, the other series of general obligation bonds or notes currently outstanding (as described above) are secured by *ad valorem* taxes upon property subject to taxation by the District as described above (collectively, the “**General Obligation Bonds**”). Debt service on all of the District’s outstanding General Obligation Bonds, including the Bonds and assuming no optional redemptions, are as follows:

Table No. 3
PLUMAS UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule
General Obligation Bonds

Period Ending (August 1)	Series 2002B Bonds	2005 Refunding Bonds	2016 Refunding Bonds	Series 2016A Bonds	The Bonds	Aggregate Annual Debt Service
2019	--	\$ 1,081,975.00	\$ 112,309.00	\$ 2,088,275.00		--
2020	--	1,108,413.00	112,929.00	291,575.00		--
2021	--	1,120,913.00	112,491.00	295,075.00		--
2022	--	--	823,018.00	298,475.00		--
2023	--	--	827,142.00	306,775.00		--
2024	--	--	864,759.00	314,875.00		--
2025	--	--	868,770.00	317,775.00		--
2026	--	--	875,178.00	325,575.00		--
2027	\$ 900,000.00	--	--	331,975.00		--
2028	950,000.00	--	--	338,075.00		--
2029	950,000.00	--	--	343,875.00		--
2030	1,000,000.00	--	--	349,375.00		--
2031	--	--	--	359,575.00		--
2032	--	--	--	364,325.00		--
2033	--	--	--	373,543.76		--
2034	--	--	--	377,293.76		--
2035	--	--	--	385,468.76		--
2036	--	--	--	393,156.26		--
2037	--	--	--	400,056.26		--
2038	--	--	--	411,450.00		--
2039	--	--	--	415,450.00		--
2040	--	--	--	423,850.00		--
2041	--	--	--	436,450.00		--
2042	--	--	--	443,050.00		--
2043	--	--	--	448,850.00		--
2044	--	--	--	460,725.00		--
2045	--	--	--	466,725.00		--
2046	--	--	--	477,025.00		--
2047	--	--	--	486,450.00		--
2048	--	--	--	--		--
Totals	\$3,800,000.00	\$3,311,301.00	\$4,596,596.00	\$12,725,143.80		

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for the District's repayment of principal of and interest on the Bonds when due, the Board of Supervisors of the County is empowered and is obligated to levy and collect *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When so collected by the County, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of general obligation bonds of the District. The Bonds are payable by the District from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt (or a pledge of the full faith and credit) or obligation of the County. No funds nor any account of the County are pledged or obligated to repayment of the Bonds. Amounts on deposit in the Interest and Sinking Fund are pledged for the payment of the principal and redemption price of and interest on the Bonds.

Statutory Lien

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the District's payment thereof. The liens automatically attach, without further actions or authorization by the District Board, and are valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the liens, and such liens will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property that 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 that 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 prepayment, plus costs and a prepayment fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the 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 Valuation

The assessed valuation of property in the District is established by the County Assessor, except for public utility property that 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 the consumer price index or comparable data for the area if such rate is less than 2%, 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," herein.

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.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership of or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding

increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The following table shows the District's fiscal year 2018-19 assessed valuation of property by amount and percentage within the City of Portola and within the unincorporated areas of the County.

Table No. 4
PLUMAS UNIFIED SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction ⁽¹⁾

Jurisdiction ⁽²⁾	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Portola	\$ 117,469,110	3.21%	\$ 117,469,110	100.00%
Unincorporated Plumas County	3,544,876,598	96.79	3,656,562,678	96.95%
Total District	\$3,662,345,708	100.00%		
Total Plumas County	\$3,662,345,708	100.00%	\$3,774,031,788	97.04%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

⁽²⁾ The city of Portola is the only incorporated city in the District. All other communities within the District, including Quincy (the County seat), are unincorporated "census designated places."

Source: California Municipal Statistics, Inc.

Property within the District has a net taxable assessed valuation for fiscal year 2018-2019 of \$3,662,345,708. Shown in the following table are the assessed valuations for taxable property within the District for the current and previous seven fiscal years, from 2011-12 through 2018-19.

Table No. 5
PLUMAS UNIFIED SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2011-12 through 2018-19

<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2011-12	\$3,132,683,172	\$2,821,698	\$ 88,958,530	\$3,224,463,400
2012-13	3,041,157,393	2,816,000	89,054,024	3,133,027,417
2013-14	3,024,093,104	2,805,304	90,226,091	3,117,124,499
2014-15	3,058,736,962	4,009,201	92,966,637	3,155,712,800
2015-16	3,158,874,300	4,149,897	97,335,731	3,260,359,928
2016-17	3,244,687,169	4,157,583	101,732,209	3,350,576,961
2017-18	3,360,827,574	4,159,567	111,501,407	3,476,488,548
2018-19	3,548,551,609	4,159,567	109,634,532	3,662,345,708

Source: California Municipal Statistics, Inc.

The tables below show assessed valuation and parcels in the District by land use, the average and median assessed valuation of single-family homes in the District, and the distribution of single-family homes in the District within various valuation ranges, for fiscal year 2018-19.

Table No. 6
PLUMAS UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

	2018-19 <u>Assessed Valuation</u> ⁽¹⁾	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
<u>Non-Residential:</u>				
Agricultural/Timber	\$100,240,308	2.82%	1,506	6.10%
Commercial	304,535,730	8.58	782	3.17
Vacant Commercial	17,408,071	0.49	240	0.97
Industrial	41,443,335	1.17	74	0.30
Vacant Industrial	3,696,099	0.10	71	0.29
Recreational	21,538,298	0.61	470	1.90
Government/Social/Institutional	1,087,963	0.03	740	3.00
Other Vacant	<u>66,830,038</u>	<u>1.88</u>	<u>2,866</u>	<u>11.61</u>
Subtotal Non-Residential	\$556,779,842	15.69%	6,749	27.34%
<u>Residential:</u>				
Single Family Residence	\$2,605,095,697	73.41%	11,298	45.76%
Condominium/Townhouse	97,940,808	2.76	409	1.66
Mobile Home	19,863,025	0.56	402	1.63
Mobile Home Park	9,092,886	0.26	37	0.15
5+ Residential Units/Apartments	37,119,565	1.05	256	1.04
Miscellaneous Residential	15,444,210	0.44	39	0.16
Vacant Residential	<u>207,215,576</u>	<u>5.84</u>	<u>5,499</u>	<u>22.27</u>
Subtotal Residential	\$2,991,771,767	84.31%	17,940	72.66%
<u>Total:</u>	\$3,548,551,609	100.00%	24,689	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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Table No. 7
PLUMAS UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	<u>No. of Parcels</u>	<u>2018-19 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	11,298	\$2,605,095,697	\$230,580	\$174,418

<u>2018-19 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	235	2.080%	2.080%	\$ 4,199,547	0.161%	0.161%
\$25,000 - \$49,999	714	6.320	8.400	27,145,922	1.042	1.203
\$50,000 - \$74,999	868	7.683	16.082	53,989,780	2.072	3.276
\$75,000 - \$99,999	935	8.276	24.358	81,806,416	3.140	6.416
\$100,000 - \$124,999	970	8.586	32.944	109,447,532	4.201	10.617
\$125,000 - \$149,999	982	8.692	41.636	134,621,328	5.168	15.785
\$150,000 - \$174,999	956	8.462	50.097	155,137,398	5.955	21.740
\$175,000 - \$199,999	878	7.771	57.869	164,722,813	6.323	28.063
\$200,000 - \$224,999	731	6.470	64.339	155,182,816	5.957	34.020
\$225,000 - \$249,999	545	4.824	69.163	129,056,153	4.954	38.974
\$250,000 - \$274,999	507	4.488	73.650	132,817,802	5.098	44.072
\$275,000 - \$299,999	443	3.921	77.571	126,927,053	4.872	48.945
\$300,000 - \$324,999	347	3.071	80.643	108,210,972	4.154	53.098
\$325,000 - \$349,999	302	2.673	83.316	101,822,049	3.909	57.007
\$350,000 - \$374,999	283	2.505	85.820	102,480,709	3.934	60.941
\$375,000 - \$399,999	241	2.133	87.954	93,198,501	3.578	64.518
\$400,000 - \$424,999	198	1.753	89.706	81,526,942	3.130	67.648
\$425,000 - \$449,999	148	1.310	91.016	64,717,823	2.484	70.132
\$450,000 - \$474,999	116	1.027	92.043	53,650,799	2.059	72.192
\$475,000 - \$499,999	80	0.708	92.751	38,951,741	1.495	73.687
\$500,000 and greater	819	7.249	100.000	685,481,601	26.313	100.000
Total:	11,298	100.000%		\$2,605,095,697	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

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Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area of the District (TRA 53-010) for fiscal years 2013-14 through 2018-19.

TABLE NO. 8
PLUMAS UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 53-010)*
Fiscal Years 2013-14 through 2018-19

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Plumas Unified School District	.03149	.03316	.03166	.03028	.03028	.08262
Plumas Hospital District	.02763	.02833	.02532	.03748	.03748	.03455
Total Tax Rate	1.05912	1.06149	1.05698	1.06776	1.06776	1.11717

* 2018-19 assessed valuation for TRA 53-010 is \$163,810,261

Source: California Municipal Statistics, Inc.

For comparison, the table below summarizes the total *ad valorem* tax rates levied by all taxing entities in another typical tax rate area of the District (TRA 53-016) for fiscal years 2013-14 through 2018-19.

TABLE NO. 9
PLUMAS UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 53-016)*
Fiscal Years 2013-14 through 2018-19

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Plumas Unified School District	.03149	.03316	.03166	.03028	.03028	.08262
Total Tax Rate	1.03149	1.03316	1.03166	1.03028	1.03028	1.08262

* 2018-19 assessed valuation for TRA 53-016 is \$567,021,131

Source: California Municipal Statistics, Inc.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash

value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS,” herein.

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

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

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

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

Bonding Capacity

As a California unified school district, the District may issue bonds in an amount up to 2.5% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2018-19 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately \$91,558,642, and its net bonding capacity is approximately \$75,315,917 (taking into account current outstanding debt before issuance of the Bonds and the 2018-19 assessed valuation of taxable property within the District of \$3,662,345,708). Once issued, the outstanding principal of any Bonds is included when calculating the District's bonding capacity.

Property Tax Collections

The County Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The District's participation in the Teeter Plan makes more certain the availability of sufficient funds for the District's repayment of the Bonds.

So long as the Teeter Plan remains in effect, and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. Under the statute creating the Teeter Plan, however, the Board of Supervisors of the County can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire county and, in addition, the Board of Supervisors of the County can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%.

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Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in fiscal year 2018-19.

Table No. 10
PLUMAS UNIFIED SCHOOL DISTRICT
Largest Secured Taxpayers
Fiscal Year 2018-19

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1. Sierra Pacific Industries	Industrial/Timber	\$ 79,771,600	2.25%
2. Collins Pine Company	Industrial/Timber	20,015,716	0.56
3. Graeagle Land & Water Company	Water Company	11,880,601	0.33
4. Nakoma Associates LP	Hotel/Resort	11,329,053	0.32
5. Genesee Valley Ranch LLC	Residential	7,588,336	0.21
6. Luciano Farms LLC	Residential	7,485,986	0.21
7. Robert A. Lucian Jr., Trustee	Rural Land	6,294,449	0.18
8. Plumas Bank	Bank	6,291,553	0.18
9. Brett & Patricia M. Womack, Trustee	Resort/Marina	5,834,366	0.16
10. Feather River Inn/WMS Exchange LLC	Hotel	5,674,034	0.16
11. Thomas J. & Marilyn A. Fitzmyers, Trustee	Residential	5,454,913	0.15
12. Lynn L. & Donald E. Bobo Jr., Trustees	Residential	4,973,806	0.14
13. Soper Company	Rural Land	4,898,117	0.14
14. Victoria Livi & Leigh McNeill Dela, Trustees	Residential	4,075,200	0.11
15. Plumas Pines Partners LLC	Shopping Center	3,978,000	0.11
16. Little Norway Partners LP	Commercial	3,905,194	0.11
17. Bengard Family Partnership I LP	Rural Land	3,655,136	0.10
18. Ed & Mary Wittmeier, Trustee	Residential	3,647,188	0.10
19. Blair Walker Stratford, Trustee	Residential	3,619,472	0.10
20. John Andrew & Laura Laurenson Foster, Trustee	Residential	<u>3,581,782</u>	<u>0.10</u>
		\$203,954,502	5.75%

⁽¹⁾ 2018-19 local secured assessed valuation: \$3,548,551,609

Source: California Municipal Statistics, Inc.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. 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. 11
PLUMAS UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of January 1, 2019

2018-19 Assessed Valuation: \$3,662,345,708

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/19</u>
Plumas Unified School District	100.000%	\$16,242,725 (1)
Plumas Healthcare District	100.000	733,000
Indian Valley Healthcare District Tax Obligations	100.000	<u>1,246,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$18,221,725
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Plumas County General Fund Obligations	97.041%	\$12,925,861
Plumas Unified School District General Fund Obligations	100.000	<u>3,570,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$16,495,861
COMBINED TOTAL DEBT		\$34,717,586 (2)

(1) Excludes general obligation bonds to be sold.

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$16,242,725)	0.44%
Total Direct and Overlapping Tax and Assessment Debt....	0.50%
Combined Direct Debt (\$19,812,725)	0.54%
Combined Total Debt	0.95%

Source: California Municipal Statistics, Inc.

Risk of Impact to Assessed Value Due to Disaster

As indicated in the previous tables, assessed valuation of property in the District is subject to change in each year. Increases or decreases in assessed value result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, property reclassifications, and man-made or natural disasters such as earthquakes, fires, floods and droughts. In recent years, notable disasters in the State included drought conditions statewide, ending in 2017 due to record-level precipitation, numerous wildfires in different regions of the State, including in the vicinity of the District, and related flooding and mudslides. For example, the most destructive wildfire in California history to date, known as the "Camp Fire," occurred in adjacent Butte County in 2018, which damaged or destroyed approximately 18,800 structures, as reported by the California Department of Insurance.

Taxable property in the District is located in or near moderate, high, and very high Fire Hazard Severity Zones, as defined by the California Department of Forestry and Fire Protection. The District cannot predict future disasters or make any representations regarding the effects that any

disasters and related conditions may have on the value of taxable property within the District, the District's ability to pay debt service on the Bonds, or to what extent the effects of said disasters might have on economic activity in the District or throughout the State.

PLUMAS COUNTY INVESTMENT POOL

The following information concerning the Plumas County Investment Pool (the "Investment Pool" or "Pool") has been obtained from the County Treasurer's office (<http://www.countyofplumas.com/treasurer/>) and has not been confirmed or verified by the District or the Underwriter. The website is not incorporated herein by reference. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Plumas County Board of Supervisors approved the current County Investment Policy and Guidelines (the "Investment Policy") on December 6, 2016. See APPENDIX G – "PLUMAS COUNTY INVESTMENT POLICY AND MONTHLY INVESTMENT REPORT." The Investment Policy applies to all investments of short-term operating funds. The primary goal is to invest public funds in a manner that will provide a market average rate of return consistent with the objectives of Plumas County, while meeting the daily cash flow demands of the Plumas County Treasury. The main investing objectives, in order of priority, are: Safety, Liquidity, and Return on Investment.

Oversight of the investments is conducted in several ways. The County Treasurer has established an annual independent review by an external auditor, which assures compliance with policies and procedures. The County's portfolio is also independently audited by an external auditor for compliance with the California Government Code and the County's investment policy. In addition, in accordance with California Government Code Section 53646(d), the County Treasurer provides a monthly investment report to the Plumas County Board of Supervisors, the auditor, school districts and the community college district showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, and current market value for all securities.

The District's funds held by the County Treasurer are invested in the county's investment portfolio. As of December 31, 2018, the total market value of the County's investment portfolio was \$102,041,802.40 with weighted average yield of 2.43%.

For a detailed discussion of the County's investment portfolio, allowable investments and portfolio details, see APPENDIX G– "PLUMAS COUNTY INVESTMENT POLICY AND MONTHLY INVESTMENT REPORT," herein.

None of the District, the Financial Advisor, or the Underwriter has made an independent investigation of the investments in the Pool nor have they made any assessment of the current Plumas County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Plumas County Board of Supervisors, may change the

Plumas County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, 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.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that 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 a 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.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof, subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bonds 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, prepayment, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, 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 Tax 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 Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations

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.

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Form of Opinion

The proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX D.

OTHER LEGAL MATTERS

Legality for Investment

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

Absence of Material Litigation

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect thereto. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to issue the Bonds.

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

Compensation of Certain Professionals

Payment of the fees and expenses of Lozano Smith, LLP, as Bond Counsel and Disclosure Counsel to the District, and Capitol Public Finance Group, LLC, as Financial Advisor to the District, is contingent upon issuance of the Bonds.

Possible Limitations on Remedies

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "**Superintendent**"), operating through an administrator appointed by the Superintendent, may be authorized under State law to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "**Bankruptcy Code**") on behalf of the district for the adjustment of its debts. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the application of *ad valorem* taxes to pay the Bonds could be stayed during the proceeding (unless they are determined to be "special revenues" within the meaning of the Bankruptcy Code and not derived from District projects), and it is possible that the terms of the Bonds and Resolutions (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the Bankruptcy Code. Bankruptcy courts are courts of equity with broad discretionary powers, and their decisions can be heavily influenced by the facts in a case, including whether commingled *ad valorem* tax revenues can be identified, and the overall goal of the Bankruptcy Code to facilitate an adjustment of debts. A bankruptcy proceeding, if initiated on behalf of the District, could have an adverse effect on the liquidity and value of the Bonds.

The County, on behalf of the District, is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County investment portfolio, as described in "THE COUNTY OF PLUMAS INVESTMENT POOL" herein and APPENDIX G – "PLUMAS COUNTY INVESTMENT POLICY AND MONTHLY INVESTMENT REPORT" attached hereto. If the County goes into bankruptcy and has possession of tax revenues

(whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide, or to cause to be provided, to the MSRB through its Electronic Municipal Market Access system or such other electronic system designated by the MSRB (the “**EMMA System**”) certain annual financial information and operating data relating to the District (the “**Annual Report**”) by not later than the March 31 following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2017–18 fiscal year (which is due no later than March 31, 2019) and notice of the occurrence of certain enumerated events (“**Listed Events**”) within ten (10) business days after the occurrence of such a Listed Event. The specific nature of the information to be contained in the Annual Report and the notices of Listed Events is set forth in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”) promulgated by the Securities and Exchange Commission (the “**SEC**”).

In the five years before the date of this Official Statement, the District timely filed all of its required Annual Reports and notices of Listed Events, with the exception of (i) the District’s Annual Report for fiscal year ended June 30, 2015, which was filed 6 months late, in September 2016 and (ii) certain notices of Listed Events arising from rating downgrades and upgrades of certain of the District’s bond insurers occurring in 2013, which were subsequently filed in 2017.

A failure by the District to comply with an Undertaking will not constitute an Event of Default with respect to the Bonds. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The County shall not have any obligation or incur any liability whatsoever with respect to the performance of the District’s duties regarding continuing disclosure.

RATING

Moody’s Investors Service (“**Moody’s**”), is expected to assign a rating of “Aa3” to the Bonds, which appears on the front cover of this Official Statement. Such rating reflect only the views of Moody’s and any desired explanation of the significance of such rating should be obtained from Moody’s. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that such rating will be retained for any given period of time or that the same will not be revised downward or

withdrawn entirely by the rating agencies concerned if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the District have undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revisions or withdrawal.

UNDERWRITING

The Bonds were sold to Hilltop Securities Inc. (the “**Underwriter**”), pursuant to a Bond Purchase Agreement at a price of \$_____ (being equal to the aggregate principal amount of the Bonds (\$_____), plus [net] original issue premium (\$_____), less an underwriter’s discount of \$_____).

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

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

PAYING AGENT

The District has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “**Paying Agent**”), a national banking association organized under the laws of the United States, to serve as Paying Agent. The Paying Agent is to carry out those duties assignable to it under the Resolution and other documents related to the Bonds. Except for the contents of this section, the Paying Agent has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Resolution or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Paying Agent has no oversight responsibility, and is not accountable, for the use or application by the District of any of the Bonds authenticated or delivered pursuant to the Resolution or for the use or application of the proceeds of such Bonds by the District. The Paying Agent has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, or the investment quality of the Bonds, about all of which the Paying Agent expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Paying Agent may be found at its website at www.bnymellon.com/. Neither the information on the Paying Agent’s website, nor any links to or from that website, are incorporated as a part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

ADDITIONAL INFORMATION

Brief descriptions or summaries of the District, the Resolution, the Bonds, and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Resolution, and other documents, agreements and statutes referred to herein, and the description of the Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained at the principal corporate trust office of the Paying Agent.

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.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

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

PLUMAS UNIFIED SCHOOL DISTRICT

By: _____
Terry Oestreich, Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is necessarily payable from the general fund of the District or from State revenues. Interest on the Bonds is payable from the proceeds of an ad valorem tax levied and collected by the County for that purpose in accordance with the Authorizing Law and the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.

THE DISTRICT

General Information

The District is a unified school district serving students from an approximately 2,100 square mile area in Plumas County (the "**County**"). The District operates 8 schools, including 4 elementary schools and 4 junior-senior high schools. The District's current enrollment is approximately 1,841 students.

Administration

The District is governed by a five member Board of Education (the "**Board**"), each member of which is elected to a four year term. Elections for positions to the Board are held every two years, with half of the board elected in each even numbered year. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day to day District operations as well as the supervision of the District's other personnel. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Leslie Edlund	President	December 2022
Traci Holt	Clerk	December 2022
Joleen Cline	Member	December 2020
Dwight Pierson	Member	December 2022
Dave Keller	Member	December 2020

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. The Deputy Superintendent, Business Services, of the District is responsible for the administration, financial, and operations management of the District, and reports to the Superintendent.

Terry Oestreich, Superintendent. Ms. Oestreich has served the District as its Superintendent since April 2016. She joined the District in 1999 and previously served as the Regional Occupational & Technology Director as well as Elementary Principal, Alternative Education Director and Assistant Superintendent of Human Resources. Ms. Oestreich has 21 years of experience in education, having started her career in Quincy at the Plumas County Office of Education. Prior to her career in education, Ms. Oestreich worked in banking and for an engineering firm. Ms. Oestreich earned a Bachelors from Morrison University, and a Master's in Business Administration from Western Governor's University.

Lisa Cavin, Deputy Superintendent - Business Services. Ms. Cavin joined the District in 2015. Ms. Cavin's previous experience included several leadership roles at three national banks over a career span of thirteen years, including Senior Personal Banker at Bank of America, N.A.; Banking Center Manager, Assistant Branch Manager, and Branch Manager/Assistant Vice President (AVP) at Wells Fargo Bank, N.A.; and Branch Manager/AVP and Commercial Relationship Manager at U.S. Bank, N.A. Ms. Cavin's career in education began at Lassen Union High School District as the Human Resources Manager/Executive Assistant to the Superintendent. She also provided consulting services for the Board and Human Resources to Johnstonville Elementary School District.

Employment

As of the 2018-19 budget year, the District employed 118 full-time equivalent certificated employees, 124 classified employees, and 16 management, supervisory, and confidential FTE positions. Plumas County Teachers' Association ("**PCTA**") represents the certificated employees and the California School Employees Association, Plumas Chapter 193 ("**CSEA**"), represents the classified employees. The District's current contract with PCTA expires on June 30, 2019, and its contract with the CSEA expires on June 30, 2019. By law, each contract is in effect until a new contract is approved.

District Retirement Systems

The information set forth below regarding the CalSTRS and CalPERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources that are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

The District participates in retirement plans with the State Teachers' Retirement System ("**CalSTRS**"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("**CalPERS**"), which covers classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS. For more information regarding the District's retirement benefits obligations, see APPENDIX C – "ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 11 – PENSION PLANS."

CalSTRS. All full-time certificated employees, as well as certain classified employees, are members of CalSTRS. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "**CalSTRS Defined Benefit**

Program”). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, neither the employee, the employer, nor the State contribution rate to the CalSTRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, however, the combined employer, employee and State contributions to the CalSTRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the CalSTRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, CalSTRS projected that the CalSTRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the CalSTRS Defined Benefit Program, the State passed legislation described below to increase contribution rates.

Prior to July 1, 2014, school districts and community college districts (“**K-14 school districts**”) were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“**AB 1469**”) in to law as a part of the 2014-15 State Budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the CalSTRS Defined Benefit Program before July 1, 2014 (the “**2014 Liability**”), within 32 years, by increasing member, K-14 school district and State contributions to CalSTRS. Commencing on July 1, 2014, the employee contribution rates will increase over a three year phase in period in accordance with the following schedule:

**TABLE No. A-1
MEMBER CONTRIBUTION RATES
CalSTRS (Defined Benefit Program)**

<u>Effective Date</u>	<u>CalSTRS Members Hired Prior to January 1, 2013</u>	<u>CalSTRS Members Hired After January 1, 2013</u>
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

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Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven year phase in period in accordance with the following schedule:

TABLE No. A-2
K-14 SCHOOL DISTRICT CONTRIBUTION RATES
CalSTRS (Defined Benefit Program)

<u>Effective Date</u>	<u>K-14 School Districts</u>
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10
July 1, 2021 ⁽¹⁾	18.60
July 1, 2022 ⁽¹⁾	18.10

⁽¹⁾ *Projected.* Per CalSTRS, employer contribution rate is currently projected to decrease to 18.6% in 2021-22 and 18.1% in 2022-23. Projections may change based on actual experience.

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter, the CalSTRS Teachers' Retirement Board (the "**CalSTRS Board**") is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the CalSTRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the CalSTRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the CalSTRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District contributed to CalSTRS in the total annual amount of \$1,063,437 in fiscal year 2014-15, \$779,323 in fiscal year 2015-16, \$869,406 in fiscal year 2016-17, and \$1,135,541 in fiscal year 2017-18, each of which annual contributions equaled 100% of the required contributions for such years. The District has budgeted, pursuant to its Adopted Budget, \$1,760,860 for this expense in 2018-19.

The State also contributes to CalSTRS, currently in an amount equal to 9.828% of teacher payroll for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate increased over the base year to a total of 9.828% as

of July 1, 2018. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the CalSTRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered CalSTRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

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

The contribution requirements of the plan members are established by State statute. For fiscal year 2017-18, active plan members hired on or before December 31, 2012 are required to contribute 7.0% of their salary and members hired on or after January 1, 2013 are required to contribute 6.5% of their salary.

The District's required contribution rate to CalPERS is actuarially determined. (See discussion of rates in *California Public Employees' Pension Reform Act of 2013* below.) The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration (the "CalPERS Board"). The required employer contribution rate for fiscal year 2018-19 is 18.062% of covered payroll. The District's contributions to CalPERS were \$491,728 in fiscal year 2014-15, \$526,462 in fiscal year 2015-16, \$648,206 in fiscal year 2016-17, and \$803,367 in fiscal year 2017-18, each of which annual contributions was equal to 100% of the required contributions for such years. The District has budgeted employer contributions to CalPERS of \$806,311 for fiscal year 2018-19, per its Adopted Budget.

State Pension Trusts. Each of CalSTRS and CalPERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: www.calstrs.com; (ii) CalPERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both CalSTRS and CalPERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions.

The following table summarizes information regarding the actuarially-determined accrued liability for both CalSTRS and CalPERS.

FUNDED STATUS CalSTRS (Defined Benefit Program) and CalPERS (Schools Plan)
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Year 2016-17

Plan	Accrued Liability	Value of Trust Assets ⁽²⁾	Unfunded Liability
Public Employees Retirement Fund (CalPERS)	\$ 84,416	\$ 60,865	\$(23,551)
State Teachers' Retirement Fund Defined Benefit Program (CalSTRS)	286,950	197,718	(103,468)

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the CalSTRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike CalPERS, CalSTRS contribution rates for participant employers and employees hired prior to the Implementation Date (defined herein), as well as the State's base contribution rate, are set by statute and prior to fiscal year 2014-15 did not vary from year-to-year based on actuarial valuations. The CalSTRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the CalSTRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the CalSTRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the CalSTRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "**2016 CalSTRS Actuarial Valuation**"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 CalSTRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "**2017 CalSTRS Actuarial Valuation**"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 CalSTRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the CalSTRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 CalSTRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 CalSTRS Actuarial Valuation, the future revenues from contributions and appropriations for the CalSTRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the CalSTRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the CalSTRS Board, including a 7.00% investment rate of return assumption.

On December 20, 2017, the CalPERS Board approved new actuarial assumptions, including (i) lowering the inflation assumption rate from 2.75% to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

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

On April 18, 2018, the CalPERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to January 1, 2013, to those hired after such date, the projected contribution for fiscal year 2019-2020 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-2026.

The District can make no representations regarding the future program liabilities of CalSTRS, or whether the District will be required to make additional contributions to CalSTRS in the future above those amounts required under AB 1469. The School District can also provide no assurances regarding the District's required employer contributions to CalPERS in the future.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 ("**PEPRA**") into law on September 12, 2012. PEPRA affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "**Implementation Date**"). As it pertains to CalSTRS participants hired after the Implementation Date, PEPRA changes the normal retirement age, increasing the eligibility for the 2% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, PEPRA changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in Social Security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

For fiscal year ending June 30, 2018, the District's proportionate share of the net CalSTRS pension liability was \$11,915,909. As of such date, the District's proportionate share of the net CalPERS pension liability was \$8,731,876.

Other Post-Employment Benefits

Plan Description. In addition to the retirement plan benefits with CalSTRS and CalPERS discussed above, the District provides certain other post-employment benefits ("OPEB"), in accordance with District employment contracts. The District's OPEB plan (the "Plan") provides OPEB for eligible classified, supervisory and confidential employees of the District.

Beginning in fiscal year 2017-18, the District was required to implement Government Accounting Standards Board ("GASB") Statement Number 75, which replaced GASB Statement Number 45 as the accounting standard for OPEB plans. On December 17, 2018, DFA, LLC, completed an evaluation of the District's obligations as of February 1, 2018, in accordance with GASB Statement Number 75.

The contribution requirements of plan members and the District are established and may be amended by the District and the employee labor groups. Currently, the District offers medical, prescription drug, dental, and vision benefits to classified employees and retirees through California's Valued Trust ("CVT"), a jointly managed trust, on a pooled, self-insured basis. Supervisory and confidential employees receive a choice of plans through Self-Insured Schools of California ("SISC"), a California joint powers authority, also on a pooled, self-insured basis.

As of the end of the 2017-18 fiscal year, the Plan provided 17 retirees with grandfathered benefits provided under prior bargaining agreements. These benefits are not expected to be repeated in the future. These retirees receive benefits either to a stated age (usually 65), or for life. The active cap of \$11,059 per year applies to some of the retirees. Others have uncapped benefits.

As of February 1, 2018 the Plan included 108 active employees, along with the 17 retirees noted above, for a total of 125 Plan members.

OPEB Liability. The total OPEB liability of the Plan is measured as of June 30, 2018, using an actuarial valuation as of February 1, 2018, rolled forward to June 30, 2018, using standard update procedures.

The following table illustrates the District's OPEB liability and related ratios, as shown in the District's audited financial statements as of June 30, 2018:

TABLE No. A-3
PLUMAS UNIFIED SCHOOL DISTRICT
Changes in the Total and Net OPEB Liability

Total OPEB Liability as of July 1, 2017	\$2,421,703
--	--------------------

Service Cost	12,607
Interest	79,799
Changes in assumptions or other inputs	(24,746)
Benefit Payments	(245,591)
<hr/>	
Net Changes in Total OPEB Liability	(177,931)
<hr/>	
Total OPEB Liability as of June 30, 2018	\$2,243,772

Source: District Audit Report for fiscal year 2017-18.

OPEB Expense. The District’s annual OPEB expense is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2018, the District contributed \$255,692 to the Plan. While the District does not participate in and has no fiduciary position in an irrevocable trust to pay OPEB, the District has established a special reserve fund for the purpose of paying future OPEB expenses (“**Special Reserve for OPEB**”). Funds in the Special Reserve for OPEB can be used for purposes other than paying OPEB expenses upon action by the District’s Board of Education. As of June 30, 2018, the District had \$1,100,990 in its special reserve fund for OPEB.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the Northern California Schools Insurance Group (“**NCSIG**”), Northern California ReLiEF, Schools Association for Excess Risk (“**SAFER**”), and Schools Excess Liability Fund (“**SELF**”) public entity risk pools for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers’ Compensation

For fiscal year 2017-18, the District was self-funded for workers’ compensation, with excess coverage provided by the Northeastern Joint Powers Authority (“**NEJPA**”) public entity risk pool.

Employee Medical Benefits

The District has contracted with California’s Valued Trust to provide eligible full time employees’ medical, dental and vision benefits and with Anthem Blue Cross to provide certificated employees’ medical benefits. Benefits are subject to an annual cap of \$11,059 per employee.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses related to workers’ compensation claims. As of June 30, 2018, the total liability balance was \$120,900.

For more information regarding the JPAs the District participates in for risk management, see APPENDIX C— “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018,” Note 9.

DISTRICT FINANCIAL INFORMATION

The following selected financial information provides a brief overview of the District’s finances. This financial information has been extracted from the District’s Audit Report and, in some cases, from unaudited information provided by the District’s Business office. See APPENDIX C – “Audit Report of the District for Fiscal Year Ended June 30, 2018.”

State Funding of Education; State Budget Process

The following information concerning the State’s funding of education and the State budget process has been compiled from publicly-available information provided by the State. Neither the District, the Financial Advisor, 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.

Revenue Limit Funding. Prior to fiscal year 2013-14, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts are funded based on uniform funding grants assigned to certain grade spans.

The following tables show historical ADA and enrollment for the District for fiscal years 2011-12 and 2012-13, prior to implementation of the LCFF (defined below).

Table No. A-4
PLUMAS UNIFIED SCHOOL DISTRICT
Aggregated Enrollment, Average Daily Attendance
and Base Revenue Limit
Fiscal Years 2011-12 and 2012-13

Fiscal Year	Enrollment	Annual % Change	Average Daily Attendance	Annual % Change	Base Revenue Limit Per ADA
2011-12	1,989	--	1,838.23	--	\$6,492
2012-13	1,932	(3.0)	1,766.59	(4.1)	6,704

Source: The District.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) (“**A.B. 97**”), enacted as part of the 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of A.B. 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“**S.B. 91**”).

The primary component of A.B. 97, as amended by S.B. 91, was the implementation of the Local Control Funding Formula (“**LCFF**”). Beginning in fiscal year 2013-14, the bulk of funding for school districts is being provided on the basis of target base funding grants per unit of ADA (each, a “**Base Grant**”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments, as further described herein. According to a report published by the State Legislative Analyst’s Office, the State general fund cost of fully implementing the LCFF in fiscal year 2013-14 would have been approximately \$18 billion more than what was spent on education in the prior fiscal year (assuming current levels of property tax revenue, ADA and enrollment). Given this cost, the LCFF will be implemented over a span of eight fiscal years, during which time school districts will receive annual funding increases based on the gap between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, each school district is expected to see the same proportion of their funding gap closed, with dollar amounts varying depending on the size of a district’s funding gap. The State cost to fund the LCFF in each fiscal year will fluctuate depending on a number of factors, including the provision of COLAs, fluctuations in ADA and student demographics, and growth in property tax revenues.

The specific Base Grants, beginning in fiscal year ended 2013-14, per unit of ADA, for each grade span are as follows: (a) \$6,845 for grades K-3; (b) \$6,947 for grades 4-6; (c) \$7,154 for grades 7-8; and (d) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of the COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. As of fiscal year 2018-19, school districts and charter schools are fully-funded. See also “State Budget” herein for the adjusted Base Grants provided by current state budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and support college and career readiness programs in high schools. Following full implementation of the new funding system, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

School districts that serve students of limited English proficiency (“**EL**” students), students from low income families that are eligible for free or reduced priced meals (“**LI**” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. LCFF authorizes a supplemental grant add-on (each, a “**Supplemental Grant**”) for school districts

that serve EL/LI students, equal to 20% of the applicable adjusted Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. In addition, school districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "**Concentration Grant**") equal to 50% of the applicable adjusted Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

Enrollment

Enrollment in the District decreased by approximately 4.4% between 2013-14 and 2017-18, due primarily to employment effects caused by a slowdown in the timber industry within the County and a transfer of students to charter schools. However, for fiscal year 2018-19 and the fiscal year to follow, the District projects enrollment to remain relatively stable.

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The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2018-19. As discussed above (see, “—Local Control Funding Formula”), fiscal year 2013-14 was the first year of implementing the LCFF.

TABLE No. A-5
PLUMAS UNIFIED SCHOOL DISTRICT
ADA, Enrollment and EL/LI Enrollment Percentage
Fiscal Years 2013-14 through 2016-17

Fiscal Year	Average Daily Attendance ⁽¹⁾					Enrollment ⁽²⁾	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	EL/LI Percentage
2013-14	563.22	408.39	245.65	561.40	1,792	2,137	53.55%
2014-15	549.38	399.83	235.46	561.90	1,749	2,130	50.91%
2015-16	564.97	372.65	256.32	494.57	1,693	1,872	50.72%
2016-17	539.80	376.92	269.57	477.32	1,663.61	1,815	48.59%
2017-18	527.00	411.56	266.69	497.03	1,702.28	1835	51.04%
2018-19 ⁽³⁾	532.30	431.96	264.14	509.29	1,737.69	1841	52.61%

⁽¹⁾ Except for fiscal year 2018-19, reflects P-2 ADA. Excludes charter school students.

⁽²⁾ Except for fiscal year 2018-19, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education (“CDE”). CALPADS figures exclude preschool students.

⁽³⁾ Reflects 2018-19 P-1 ADA and uncertified 2018-19 enrollment. Excludes charter school students.

Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Local Control vs. Basic Aid Funding Formula. Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants.

The District has been a basic aid school district since the last recession. Current projections, as of the District’s First Interim Report for fiscal year 2018-19, indicate the District will no longer qualify as a basic aid school district for 2018-19 and for the following two fiscal years. However, due to a number of constantly changing factors, it is still possible the District may go back and forth between basic aid and LCFF funding models over the next several years.

Accountability. The SBE has adopted regulations regarding the expenditure of supplemental and concentration funding. These regulations include a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The SBE has adopted a template LCAP for use by school districts.

Support and Intervention. The LCFF establishes a new system of support and intervention to assist school districts to meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (a) the LCAP or annual update adheres to the SBE template, and (b) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than

one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priorities, or the assignment of an academic expert to assist the district to identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by LCFF and charged with assisting school districts to achieve the goals set forth in their LCAPs. The SBE has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "**State Superintendent**"), with the approval of the SBE, is authorized to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (a) modify a district's LCAP, (b) impose budget revisions designed to improve student outcomes, and (c) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized under LCFF to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("**Matosantos**"), finding A.B.x1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that A.B.x1 27, a companion bill to A.B.x1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A and Proposition 22" herein. A.B.x1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

A.B.x1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("**A.B. 1484**"), which, together with A.B.x1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to A.B.x1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "**Successor Agency**"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now

allocated to a corresponding Redevelopment Property Tax Trust Fund (“**Trust Fund**”), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any “enforceable obligations” of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory 2% pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (A.B. 1290, Chapter 942, Statutes of 1993) (“**A.B. 1290**”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of A.B. 1290 pass-throughs are offset against State aid so long as the district uses the monies received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

A.B.X1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the County Auditor- Controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of A.B.X1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. A.B. 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District does not currently receive any pass-through payments.

Revenue Sources

Major revenue sources of the District are described below.

LCFF Revenues. State funding, under the LCFF, consists of Base Grants and supplemental grants. For fiscal year 2015-16, the District received \$16,441,188 from the LCFF or approximately 65.2% of its general fund revenues. For fiscal year 2016-17, the District received \$16,871,258 from the LCFF or approximately 68% of its general fund revenues. For fiscal year 2017-18, the District received \$17,559,564 from the LCFF, or approximately 68.1% of its general fund revenues. For fiscal year 2018-19, per its current Board-approved operating budget, the District has budgeted to receive \$18,356,087 from the LCFF, or approximately 65.8% of its general fund revenues.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Education Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. Most of these “Federal Revenues” received by the District are restricted. For fiscal year 2015-16, the District received \$3,158,527 from Federal Revenues, comprising approximately 12.5% of general fund total revenues. For fiscal year 2016-17, the District received \$2,343,369 from Federal Revenues, comprising approximately 8.9% of general fund total revenues. For fiscal year 2017-18, the District received \$2,911,900 from Federal Revenues, or approximately 11.3% of its general fund revenues. For fiscal year 2018-19, per its current Board-approved operating budget, the District has budgeted to receive \$3,618,310 from Federal Revenues, or approximately 13.0% of its general fund revenues.

Other State Revenues. In addition to LCFF revenues, the District receives substantial other State revenues. These “Other State Revenues” are primarily restricted revenues funding items such as the Community Day School Additional Funding, Home-to-School Transportation, Economic Impact Aid, and Special Education Transportation. For fiscal year 2015-16, the District received \$3,521,561 from Other State Revenues, comprising approximately 13.9% of general fund total revenues. For fiscal year 2016-17, the District received \$3,126,317 from Other State Revenues, comprising approximately 12.6% of general fund total revenues. For fiscal year 2017-18, the District received \$3,346,974 from Other State Revenues, comprising approximately 13.0% of general fund total revenues. For fiscal year 2018-19, per its current Board-approved operating budget, the District has budgeted to receive \$3,585,782 from the Other State Revenues, or approximately 12.9% of its general fund revenues.

The District receives State aid from the California State Lottery (the “**Lottery**”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of

research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material. The District has budgeted receipt of \$405,311 in Lottery money for fiscal year 2018-19.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as the leasing of property owned by the District and interest earnings. For fiscal year 2015-16, the District received \$2,082,137 from Other Local Revenues, comprising approximately 8.2% of general fund total revenues. For fiscal year 2016-17, the District received \$2,456,319 from Other Local Revenues, comprising approximately 9.9% of general fund total revenues. For fiscal year 2017-18, the District received \$1,984,639 from Other Local Revenues, comprising approximately 7.7% of general fund total revenues. For fiscal year 2018-19, per its current Board-approved operating budget, the District has budgeted to receive \$2,325,381 from the Other Local Revenues, or approximately 8.3% of its general fund revenues.

Accounting Practices

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial report for the fiscal year ended June 30, 2018, which is included as APPENDIX C.

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available except for certain revenue sources that are not susceptible to accrual. Expenditures are recognized in the accounting period in which the liability is incurred.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's Audit Report for the year ended June 30, 2018 was prepared by Nigro & Nigro, PC, Certified Public Accountants, Murrieta, California. The auditor has not participated in the preparation of this Official Statement. The Audit Report for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District. See APPENDIX C – "Audit Report of the District for Fiscal Year Ended June 30, 2018." Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing and handling.

Audited Financial Statements. Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The District's auditor has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to review its audited financial report after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

District Budget Process

The District is required by State law to adopt a final budget by July 1 in each year. The 2018-19 budget was adopted by the District on June 20, 2018, and is subject to future adjustment by the District during the 2018-19 fiscal year. Throughout the fiscal year, all revenues and appropriations are subject to review and, since the budget must remain in balance, any shortfall in revenues could require a reduction in appropriations. California Education Code section requires that school districts for which the county board of education also serves as the governing board of the school district, as is the case for the District, are governed by the same budget procedures as county offices of education. Such alternative budget procedures are similar to those which govern school districts generally, with a key difference being that review and approval are conducted by the School Fiscal Services Division of the California Department of Education on behalf of the State Superintendent of Public Instruction (the "SSPI").

Reports and Certifications

California Education Code section 42120, et seq., requires each school district to report and certify two times during the fiscal year whether it is able to meet its financial obligations for the year. The first interim report covers the period ending October 31 and the second interim report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Education and the SSPI. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools or, as is

the case for the District, with the SSPI for county offices of education and school districts in single-district counties, within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the SSPI. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the fiscal year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

Any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next fiscal succeeding year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the County Superintendent of Schools or SSPI determines that the district's repayment of indebtedness is probable.

In the past five years, the District has not had an adopted budget disapproved by the SSPI, and, except as described in the next sentence, has not received a "negative" or "qualified" certification of an interim financial report pursuant to AB 1200. However, for the first interim report of the 2015-16 fiscal year, the District self-certified as "qualified" pursuant to AB 1200. Upon further consideration, and confirmation with CDE and the SSPI that it is permitted to take into account the approximate \$4.9 million that the District held in reserve when determining its qualified status under AB 1200, the 2015-16 second interim report removed the qualified status and reported a positive status for the period.

The District is under the jurisdiction of the Plumas County Superintendent of Schools (the "**County Superintendent**"). However, because the District is in a single-district county, the SSPI, instead of the County Superintendent of Schools, must review and approve or disapprove the budget no later than August 15. The SSPI is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the SSPI no later than September 8. Pursuant to State law, the SSPI has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the District's administration may submit budget revisions for approval by the Board of Education of the District.

Subsequent to approval, the County Superintendent or, for county offices of education and districts in single-district counties including the District, the SSPI, will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to

the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. The County Superintendent, however, may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority. State law requires local governments to maintain a balanced budget and the District anticipates that it will have no difficulty in complying with the State requirement.

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The following table shows the audited General Fund income and expense statements for the District for fiscal years 2015-16, 2016-17, and 2017-18.

Table No. A-6
PLUMAS UNIFIED SCHOOL DISTRICT
Aggregated Summary of General Fund Revenues, Expenditures
and Changes in Fund Balance
For Fiscal Years 2015-16 through 2017-18

	Audited 2015-16	Audited 2016-17	Audited 2017-18
<u>Revenues</u>			
LCFF sources	\$16,441,188	\$16,871,285	\$17,559,564
Federal sources	3,158,527	2,343,369	2,911,900
Other state sources	3,521,561	3,126,317	3,346,974
Other local sources	2,082,137	2,456,319	1,984,639
Total Revenues	\$25,203,413	\$24,797,290	\$25,803,077
<u>Expenditures</u>			
Certificated Salaries	\$ 8,295,401	\$ 7,926,629	\$ 9,147,554
Classified Salaries	4,428,814	4,730,423	4,950,922
Employee Benefits	5,665,190	5,994,904	6,358,651
Books and Supplies	1,098,591	1,713,296	1,722,143
Services and Other Operating Expenditures	3,794,315	3,314,547	3,853,129
Capital Outlay	81,585	2,244,557	1,443,650
Intergovernmental	78,325	67,122	44,327
Debt Service			31,077
Total Expenditures	\$23,442,221	\$25,991,478	\$27,551,453
Excess (deficiency) of revenues over expenditures	\$ 1,761,192	\$(1,194,188)	\$(1,748,376)
<u>Other Financing Sources (Uses)</u>			
Interfund transfers in	\$ 15,000	\$ 322,868 ⁽¹⁾	\$ 1,065,870
--Interfund transfers out	(1,274,900)	--	--
Other sources --Contributions from unifying districts			
Net Other Financing Sources (Uses)	\$(1,259,900)	\$ 322,868 ⁽¹⁾	\$ 1,065,870
Net Change in Fund Balances	\$ 501,292	\$(871,320)	\$(682,506)
Fund Balance, Beginning July 1	\$ 6,054,609	\$ 6,555,901	\$5,684,581
Fund Balance, Ending June 30	\$ 6,555,901	\$ 5,684,581	\$5,002,075

⁽¹⁾ Interfund transfer from Deferred Maintenance Fund to General Fund was not reflected in General Fund revenues and expenditures in the 2016-17 Audit Report.

Source: *The District, and the District's Audit Report for fiscal years ended June 30, 2016, 2017, and 2018.*

The following table summarizes the District's adopted general fund budget for fiscal year 2018-19, by comparing the original 2018-19 budget with the current Board-approved revised budget ("2018-19 First Interim Report"). The 2018-19 First Interim Report reflects a deficit which was not

projected at the time of original budget adoption. This increase is typical at first interim reporting, and for the current year is due to spending of carryover balances in restricted resources, one time Secure Rural Schools funds that had been received and not spent in the 2017-18 fiscal year (assigned in the ending fund balance), as well as an increase in the contribution to Special Education, and expenditures not reflected in the appropriate fund. Due to the legacy system of the Plumas County Auditor's office, the District has had to temporarily use the General Fund to process revenues and expenditures that will actually be reflected in other funds later in the fiscal year. This specifically applies to Adult Education (Fund 11) and Capital Projects (Fund 40). Although there is still a structural deficit, the deficit spending amount as a percentage is within tolerable levels for the near term and are within acceptable ranges within the Criteria and Standards.

TABLE No. A-7
PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
General Fund Budget for Fiscal Year 2018-19

	2018-19 Original Adopted Budget	2018-19 First Interim Report
REVENUES*		
LCFF Sources	\$18,232,314	\$18,356,087
Federal Revenue	3,054,416	3,618,310
Other State Revenue	2,927,827	3,585,782
Other Local Revenue	1,403,875	2,325,381
TOTAL REVENUES ⁽¹⁾	\$25,618,432	\$27,885,561
EXPENDITURES*		
Certificated Salaries	\$ 8,950,271	\$ 9,297,784
Classified Salaries	4,846,295	5,076,873
Employee Benefits	6,581,032	7,295,960
Books and Supplies	1,583,024	2,977,950
Services, Other Operating Expenses	3,931,465	4,559,200
Capital Outlay	40,595	486,607
Other Outgo (Excl. Trf. of Indirect Costs)	10,000	--
Other Outgo (Transfers of Indirect Costs)	--	--
TOTAL EXPENDITURES ⁽¹⁾	\$25,942,681	\$29,694,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (324,249)	\$(1,808,813)
OTHER FINANCING SOURCES (USES)		
Transfers In	\$ 585,018	\$ 585,018
Transfers Out	--	--
Contributions	--	--
TOTAL, OTHER FINANCING SOURCES (USES) ⁽¹⁾	\$ 585,018	585,018
NET INCREASE (DECREASE) IN FUND BALANCES	\$ 260,769	\$(1,223,795)
FUND BALANCE BEGINNING	\$ 5,002,076	\$ 5,002,076
FUND BALANCE ENDING	\$ 5,262,844	\$ 3,778,281

⁽¹⁾ Totals may not sum due to rounding.

* Restricted and Unrestricted General Fund Revenues and Expenditures

Source: District's adopted general fund Budget and First Interim Report for fiscal year 2018-19.

Long-Term Debt

The District's long-term debt as of June 30, 2018 is summarized below.

Table No. A-8
PLUMAS UNIFIED SCHOOL DISTRICT
Long Term Debt

	Balance	Additions	Balance
	July 1, 2017	(Deductions)	June 30, 2018
General Obligation Bonds	\$20,972,207	\$(892,598)	\$20,079,609
Capital Leases	69,802	(24,751)	45,051
Early retirement incentive	393,168	125,673	518,841
Other post-employment benefits	2,517,682	(187,634)	2,330,048
Compensated absences	110,659	7,718	118,377
Total	\$24,063,518	\$(971,592)	\$23,091,926

Source: Audit Report of the District for fiscal year ended June 30, 2018.

General Obligation Bonds

In addition to the Bonds, the District has other series of general obligation bonds and notes currently outstanding, which are secured by *ad valorem* taxes upon all property subject to taxation by the District (collectively, the "**General Obligation Bonds**"). See the front part of this Official Statement for more information concerning the District's outstanding General Obligation Bonds.

Capital Leases

On January 22, 2015, the District entered into a lease agreement with Wells Fargo for the acquisition of new copiers valued at \$119,712. The outstanding commitment related to the copier lease, including principal and interest payment requirements, as of June 30, 2018, is as follows:

Table No. A-9
PLUMAS UNIFIED SCHOOL DISTRICT
Outstanding Capital Lease Obligations

Balance, July 1, 2017	\$69,802
Principal Payments	<u>24,752</u>
Balance, June 30, 2018	\$45,050

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The capital leases have remaining minimum lease payments as follows:

Year Ending June 30	Total Lease Payments
2019	\$31,078
2020	18,128
Total	\$49,206
Less: Amount representing Interest	(4,156)
Present value of Minimum lease payments	\$45,050

Source: District's Audit Report for fiscal year ended June 30, 2018.

2018 Lease Financing. Not reflected in Tables A-8 and A-9 above, on July 25, 2018, the District entered into a lease financing in the principal amount of \$3,570,000 (the "2018 Lease Financing") for the purpose of financing the renovation and remodeling of its District offices. The 2018 Lease Financing has remaining minimum lease payments as follows:

Table No. A-10
PLUMAS UNIFIED SCHOOL DISTRICT
2018 Lease Financing

Period Ending (July 1)	Principal	Interest	Annual Debt Service
2019	\$ 193,766.00	\$ 110,930.59	\$ 304,696.59
2020	192,190.00	112,506.30	304,696.30
2021	198,741.00	105,955.39	304,696.39
2022	205,515.00	99,181.20	304,696.20
2023	212,520.00	92,176.08	304,696.08
2024	219,764.00	84,932.22	304,696.22
2025	227,255.00	77,441.43	304,696.43
2026	235,001.00	69,695.30	304,696.30
2027	243,011.00	61,685.15	304,696.15
2028	251,294.00	53,401.98	304,695.98
2029	259,860.00	44,836.46	304,696.46
2030	268,717.00	35,978.97	304,695.97
2031	277,876.00	26,819.59	304,695.59
2032	287,348.00	17,348.02	304,696.02
2033	297,142.00	7,553.59	304,695.59
Total:	\$3,570,000.00	\$1,000,442.27	\$4,570,442.27

Early Retirement Incentives

The District offers early retirement incentives to classified employees on an annual basis. Under the incentive, a retiree receives four annual installments equal to 70% of the savings generated at the employee's retirement date. The combined future obligation under this plan is \$518,841 as of the end of the 2017-18 fiscal year. The incentives have been sunseted, and employees of the District hired after July 1, 2017, are not eligible for such incentives.

State Budget Measures

The State Budget Process. According to the State Constitution, the Governor of the State (the “**Governor**”) must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State’s voters on November 2, 2010 as “**Proposition 25,**” a final budget must be adopted by a majority vote (rather than a supermajority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. The Governor signed the 2018-19 State Budget (as defined below) on June 27, 2018.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. The information presented on such website, however, is not incorporated herein by reference. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

The following information concerning the State’s budget has been obtained from the State Department of Finance. The District believes the information to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds or Bonds is necessarily payable from the General Fund of the District. The Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof.

2018-19 State Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the “**2018-19 State Budget**”). The following information is drawn from the Department of Finance’s summary of the 2018-19 State Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the Budget Stabilization Account (the “**BSA**”) with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and MediCal programs; and the Budget Deficit Savings Account (“**BDSA**”), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit

until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA's current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at \$78.4 billion, reflecting an increase of \$2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at \$67.9 billion, including \$47.5 billion from the State general fund, reflecting an increase of \$1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by \$579 (or 5.2%) from the prior year, up to \$11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* - An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: \$8,235 for grades K-3, \$7,571 for grades 4-6, \$7,796 for grades 7-8 and \$9,269 for grades 9-12.
- *Low-Performing Students Block Grant* – \$300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.
- *State System of Support* – An increase of \$54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *California Collaborative for Educational Excellence* – \$12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative")

to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates \$5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – \$10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.
- *Career Technical Education (CTE)* – \$164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor’s Office, in consultation with the State Department of Education, as well as \$150 million in ongoing Proposition 98 funding to make permanent the State’s Career Technical Education Incentive Grant Program.
- *One-Time Discretionary Funding* – An increase of \$1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.
- *Special Education, Bilingual, and STEM Teachers* – \$75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with \$50 million earmarked for special education teachers and \$25 million earmarked for bilingual and STEM teachers; and \$50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.
- *Classified School Employee Summer Assistance Program* – \$50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.
- *Classified School Employee Professional Development Block Grant Program* – \$50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.
- *Federal Funds for Academic Enrichment* – \$165 million one-time federal ESSA Title IV funding for academic enrichment, with \$121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.
- *Charter School Facility Grant Program* – \$21 million one-time and \$25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kindergarten Facilities* – \$100 million one-time non-Proposition 98 general fund funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.
- *Proposition 51* – a total allocation of \$594 million in Proposition 51 bond funds for K-12 school facility projects.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

2019-20 State Budget Proposal. On January 10, 2019, Governor Newsom presented the state budget proposal to the California Legislature for fiscal year 2019-20 (the “**2019-20 State Budget Proposal**”). Information about the State Budget and State spending for education is regularly available at various State-mandated websites. Text of the proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the Treasurer, www.treasurer.ca.gov. *The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.*

The 2019-20 State Budget Proposal allocates \$13.6 billion (including debt payments and reserve deposits required by Proposition 2) to building budgetary resiliency and paying down the state’s unfunded pension liabilities. This includes \$4 billion to eliminate debts and reverse deferrals, \$4.8 billion to build reserves, and an additional \$4.8 billion to pay down unfunded retirement liabilities. These investments will better enable the state to protect funding for schools and other core programs that serve the state’s neediest individuals during the next economic slowdown.

The 2019-20 State Budget Proposal includes \$4 billion to eliminate budgetary debts and reverse the deferrals of the past decades. Specifically, the 2019-20 State Budget Proposal proposes \$2.4 billion to pay off the state’s budgetary debts, including the elimination of all outstanding loans from special funds and transportation accounts. The 2019-20 State Budget Proposal includes \$1 billion to eliminate the annual payroll deferral and also provides \$700 million to eliminate the deferral of the fourth-quarter payment to the California Public Employees’ Retirement System (“**CalPERS**”).

The 2019-20 State Budget Proposal continues to build additional reserves beyond the \$13.5 billion currently set aside in the BSA for FY 2019-20. The 2019-20 State Budget Proposal assumes an additional \$1.8 billion transfer in the budget year and an additional \$4.1 billion over the remainder

of the forecast period, bringing the BSA to \$19.4 billion by 2022-23. The 2019-20 State Budget Proposal also adds \$700 million to the Safety Net Reserve created in the 2018 Budget Act, bringing the total in this reserve to \$900 million. This reserve sets aside funds specifically to protect safety net services during the next recession. Finally, the 2019-20 State Budget Proposal reserves \$2.3 billion in the Special Fund for Economic Uncertainties to address emergencies and unforeseen events.

The 2019-20 State Budget Proposal proposes per-pupil funding levels nearly \$5,000 more than 2011-12 levels, from \$7,008 to \$12,003. The Budget proposes investing in all students with the greatest increases for the neediest students, including students with disabilities. The 2019-20 State Budget Proposal's minimum guarantee of funding for K-12 schools and community colleges in 2019-20 is \$80.7 billion.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* - The Proposition 98 funding level for 2019-20 represents an increase of \$2.8 billion over 2018-19. The 2019-20 State Budget Proposal maintains level funding for K-12 education despite the decline in the Proposition 98 minimum guarantee by: (1) maintaining a \$44 million over-appropriation to the Proposition 98 minimum guarantee in 2017-18, and (2) using settle-up payments to offset otherwise unfunded 2018-19 obligations. Total K-12 per-pupil expenditures from all sources are projected to be \$16,857 in 2018-19 and \$17,160 in 2019-20. Ongoing K-12 per-pupil expenditures of Proposition 98 funds are \$12,003 in 2019-20, an increase of \$435 per pupil over the level provided in 2018-19.
- *CalSTRS Employer Contribution* - The 2019-20 State Budget Proposal proposes a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers. Of this amount, a total of \$700 million would be provided to buy down the employer contribution rates in 2019-20 and 2020-21. Based on current assumptions, employer contributions would decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.1 percent in 2020-21. The remaining \$2.3 billion would be paid toward the employers' long-term unfunded liability. Overall, the payment is expected to save employers \$6.9 billion over the next three decades, with an estimated reduction in the out-year contribution rate of approximately half a percentage point.
- *Statewide System of Support* - The 2019-20 State Budget Proposal supports county offices of education by providing them with an increase of \$20.2 million Proposition 98 General Fund for school district assistance, consistent with the formula adopted in the 2018 Budget Act.

- *Special Education* - The 2019-20 State Budget Proposal proposes \$576 million Proposition 98 General Fund (of which \$186 million is one-time) to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners. Eligible local educational agencies may use these grants to fund special education and school readiness services not currently included in an individualized education program.
- *Full-Day Kindergarten* - Building upon the \$100 million General Fund provided in the 2018 Budget Act to eligible school districts to construct new or retrofit existing facilities for full-day kindergarten programs, the 2019-20 State Budget Proposal proposes an additional \$750 million one-time non-Proposition 98 General Fund for a similar purpose. In addition to constructing new or retrofitting existing facilities to support full-day kindergarten programs, participating school districts will have the ability to use project savings to fund other activities that reduce barriers to providing full-day kindergarten.
- *Longitudinal Education Data* - The 2019-20 State Budget Proposal provides \$10 million one-time non-Proposition 98 General Fund to plan for and develop a longitudinal data system. This system will connect student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. A portion of this funding will be used for initial planning purposes. The bulk of the funding will be available for the initial stages of system implementation, once an implementation plan is adopted by the Administration and the Legislature.
- *Proposition 51* - The Budget proposes to release of \$1.5 billion Proposition 51 bond funds to support school construction projects.

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.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* property tax levied by the County for the payment thereof as described herein under “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by

the County for payment of Bonds was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

Article XIII A ("Article XIII A") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" in the front part of this Official Statement.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district, or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978; or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978; or (c) 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The taxes for payment of the Bonds as well as the District's outstanding Bonds of the 2002, 2006, and 2012 Authorizations fall within the exception described in clause (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

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 relevant 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.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

State-Assessed Utility Property

Some amount of property tax revenue of the District is derived from utility property that is considered part of a utility system with components located in many taxing jurisdictions. 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. Such State-assessed property is allocated to the counties by the SBE, taxed at special countywide 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.

The District does not expect to qualify as a basic aid district as of the 2018-19 fiscal year. To the extent that the District is not a basic aid district, taxes lost through any reduction in assessed valuation would be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL MATTERS - State Funding of Education; State Budget Process” herein.

Article XIII B of the California Constitution

Article XIII B (“**Article XIII B**”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines:

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year; and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance (“ADA”) of the school district from the preceding fiscal year.

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 pursuant to 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 State 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 pursuant to Section 8.5 of Article XVI of the State Constitution. See “Propositions 98 and 111” herein.

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.

The District does not impose any taxes, assessments, or property-related fees or charges that are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

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

Propositions 98 and 111

On November 8, 1988, voters of the State of California 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 changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 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 the State general fund revenues as the percentage appropriated to such districts in 1986-87; and (b) the amount actually appropriated to such districts from the State 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 changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, 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 is automatically increased by the amount of such transfer. These additional monies 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 that can 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 State 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. On June 5, 1990, the voters of the State of California approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“**Proposition 111**”) that 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:

(a) *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.

(b) *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. In addition, 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.

(c) *Exclusions from Spending Limit.* Two exceptions were added to the calculation of appropriations that 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.

(d) *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.

(e) *School Funding Guarantee.* There is a complex adjustment in the formula enacted in Proposition 98 that 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 (i) 40.9% of State general fund revenues (the "first test") or (ii) 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 (A) the first test; (B) the second test, or (C) 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 that will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "**Proposition 39**") to the California Constitution. This amendment (a) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the Bonds, and (b) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory

provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (i) any local government debts approved by the voters prior to July 1, 1978, or (ii) Bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

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

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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 cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation Bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades. See "DISTRICT FINANCIAL MATTERS—State Dissolution of Redevelopment Agencies" above.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. As for the State Sales and Use Tax, Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. As for the State Income Tax, beginning in the taxable year commencing January 1, 2012 and ending in the taxable year ending December

31, 2018, Proposition 30 increased the marginal personal income tax rate by: (a) 1% (a 10.3% tax bracket) for single filers with taxable income between \$250,001 and 300,000, and for joint filers with taxable income between \$500,001 and \$600,000, (b) 2% (an 11.3% tax bracket) for single filers with taxable income between \$300,001 and \$500,000, and for joint filers with taxable income between \$600,001 and \$1,000,000, and (c) 3% (a 12.3% tax bracket) for single filers with taxable income over \$500,000 and for joint filers with taxable income over \$1,000,000.

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

The California Extension of the Proposition 30 Income Tax Increase Initiative (also known as “**Proposition 55**”) passed on November 8, 2016. Proposition 55 extended the personal income tax increases enacted under Proposition 30 for an additional twelve years, through 2030, in order to fund education and healthcare. Proposition 55 did not extend the State and Use Tax rates under Proposition 30, which expired at the end of 2016. Approximately 89% of revenue from the tax increase goes towards K-12 schools and 11% goes to state community colleges. An additional \$2 billion is allocated in certain years to Medi-Cal and other health programs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as “**Proposition 2**”). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State’s Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as “**Proposition 58**”).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State is generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “**Annual BSA Transfer**”). Supplemental transfers to the BSA (a “**Supplemental BSA Transfer**”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school

districts pursuant to Proposition 98— will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied to-wards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers the BSA, nor does the Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a “budget emergency,” defined as an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the “PSSSA”) into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living.

Future Initiatives

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

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APPENDIX B

COUNTY OF PLUMAS DEMOGRAPHIC INFORMATION

*The following information concerning the County of Plumas (“**Plumas 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, any listed cities, the State or any of its political subdivisions, and neither the County, any listed cities, the State, nor any of its political subdivisions are liable therefor.*

General Information

Plumas County is a political subdivision chartered by the State. It covers a total of 2,613 square miles and has a population just under 20,000. Plumas County is located near the northeast corner of California, up where the Sierra and the Cascade mountains meet. The Feather River, with its several forks, flows through the county. Quincy, the unincorporated county seat, is about 80 miles northeast from Oroville, California, and about 85 miles from Lake Tahoe and Reno, Nevada. State highways 70 and 89 traverse the county. The county boasts more than 100 lakes and 1,000 miles of rivers and streams with over a million acres of national forest. There is 1 incorporated city within the County: Portola. The largest employment categories include local government, leisure and hospitality, and education and health services.

Population

The following table shows the population of the County for the last 9 years.

POPULATION OF PLUMAS COUNTY

Calendar Year ⁽¹⁾	Plumas County
2010	20,007
2011	19,991
2012	19,971
2013	19,920
2014	19,893
2015	19,860
2016	19,847
2017	19,818
2018	19,773

⁽¹⁾ Figures as of January 1 of the year indicated.
Source: California State Department of Finance.

Employment and Industry

The unemployment rate in Plumas County was estimated to be 5.2% in October 2018 (not seasonally adjusted), below the February 2016 estimate of 14.1%. This compares with an unadjusted unemployment rate of 4.0% for California and 3.7% for the United States in October 2018.

The table below provides information about employment by industry type for Plumas County for calendar years 2012 through 2018, which is the last year for which such information is available.

PLUMAS METROPOLITAN STATISTICAL AREA (PLUMAS COUNTY) Civilian Labor Force, Employment and Unemployment by Industry

	2012	2013	2014	2015	2016	2017	2018
Civilian Labor Force ⁽¹⁾					7,870	7,870	7,970
Employment					7,110	7,400	7,560
Unemployment					760	460	410
Unemployment Rate					9.6%	5.9%	5.2%
Wage and Salary Employment: ⁽²⁾							
Total Farm	40	30	30	30	30	50	40
Mining and Logging	30	40	30	30	40	40	60
Construction	310	290	300	320	310	350	400
Manufacturing	480	480	470	460	490	510	520
Wholesale Trade	50	60	60	60	60	60	50
Retail Trade	530	530	520	540	550	590	600
Trans., Warehousing, Utilities	290	320	310	300	290	290	240
Information	60	60	60	60	60	60	60
Financial Activities	180	180	180	170	170	180	190
Professional and Business Services	260	260	280	290	300	320	330
Educational and Health Services	620	750	780	660	610	610	620
Leisure and Hospitality	710	720	740	770	840	890	1000
Other Services	130	140	150	150	160	220	250
Federal Government	420	410	400	390	380	430	390
State Government	110	100	100	100	110	90	100
Local Government	1,960	1,890	1,980	2,020	2,040	2,080	2,040
Total All Industries ⁽³⁾	6,180	6,260	6,370	6,340	6,430	6,770	6,890

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

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

⁽³⁾ Columns may not add to totals due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following table shows the principal employers in the County for 2017.

PLUMAS COUNTY Principal Employers, 2017 (Alphabetical)

Employer Name	Location	Industry
Almanor Ranger District	Chester	Ranger Services
Beckworth Ranger Plumas Natl	Blairsdan	Amusement & Recreation NEC
C Roy Carmichael School	Portola	Schools
County of Plumas	Quincy	Government Offices-County
Environmental Alternatives	Quincy	Foster Care
Feather River Cmnty Clg Dist	Quincy	Junior-Community College-Tech Institutes
Feather River Family Dentistry	Quincy	Dentists
Longboards Bar & Grill	Blairsdan	Restaurants
Nakoma Golf Resort	Clio	Resorts
Plumas Bank	Quincy	Banks
Plumas Bank	Chester	Banks
Plumas Co Sheriff's Office	Quincy	Sheriff
Plumas County Board-Supervisor	Quincy	Government Offices-County
Plumas County Public Health	Quincy	Clinics
Plumas County Public Works	Quincy	Government Offices-County
Plumas Hospital District	Quincy	Hospitals
Plumas Pines Golf Resort	Blairsdan	Golf Courses
Portola Medical Clinic	Portola	Clinics
Quincy Junior Senior High Schl	Quincy	Schools
Seneca Healthcare District	Chester	Health Care Management
Sierra Pacific Industries	Quincy	Lumber-Manufacturers
Two Rivers Soccer Camp	Cromberg	Camps
US Forest Svc Ranger Station	Quincy	Government Offices-Us
US Forest Svc Ranger Station	Blairsdan	Ranger Services
USDA Forest Svc-Plumas	Quincy	Government Offices-Us

Source: America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Median Household Income

The following table summarizes the median household income for the County, the State of California, and the United States for the years 2013 through 2017, the last year for which such information is available.

**COUNTY OF PLUMAS, THE STATE OF CALIFORNIA
AND THE UNITED STATES
Median Household Income
2013 through 2017**

	2013	2014	2015	2016	2017
Plumas County	45,794	48,032	47,333	50,125	50,266
California	61,094	61,489	61,818	63,783	67,169
United States	53,046	53,482	53,889	55,322	57,652

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates

Commercial Activity

Summaries of taxable sales within the County in recent years are shown in the following tables. Annual figures for 2017 are not yet available.

**COUNTY OF PLUMAS
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

	Retail & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2011	627	105,304	936	195,362
2012	630	106,108	941	196,860
2013	806	112,343	1,116	202,322
2014	851	113,911	1,156	198,090
2015	910	117,719	1,332	207,187
2016	927	121,319	1,352	220,775

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

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Construction Activity

Building activity in the County for the past five years for which data is available, is shown in the following table. 2018 data is not yet available.

COUNTY OF PLUMAS					
Total Building Permit Valuations					
	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	\$4,001,961	\$5,508,822	\$5,560,286	\$7,735,759	\$8,684,895
New Multi-family	0	0	0	0	0
Res. Alterations/Additions	1,142,362	941,663	747,396	1,520,598	1,369,095
Total Residential	\$5,144,323	\$6,450,485	\$6,307,682	\$9,256,357	\$10,053,990
New Commercial	\$ 0	\$ 22,305	\$ 251,673	\$1,041,938	\$ 617,981
New Industrial	0	2,148,739	0	0	12,975
New Other	1,217,894	2,310,813	2,513,003	2,274,047	1,498,868
Com. Alterations/Additions	187,469	251,646	45,963	838,810	89,735
Total Nonresidential	\$1,405,363	\$4,733,503	\$2,810,639	\$4,154,795	\$2,219,559
New Dwelling Units					
Single Family	26	26	32	44	45
Multiple Family	0	0	0	0	0
TOTAL	26	26	32	44	45

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX C

**AUDIT REPORT OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2018**

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**PLUMAS UNIFIED
SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2018**

PLUMAS UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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For the Fiscal Year Ended June 30, 2018
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Financial Section

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Plumas Unified School District
Quincy, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1.I. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a \$2,372,619 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 60 to 63 and the schedule of expenditures of federal awards on page 64 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 59 and 65 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
November 19, 2018

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

This discussion and analysis of Plumas Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status decreased from last year as the net position decreased by 11.3% to \$10.4 million.
- Total governmental revenues were \$30.0 million, \$1.3 million less than expenses.
- The total cost of basic programs was \$31.3million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$25.1 million.
- Average daily attendance (ADA) in grades K-12 increased by 39, or 2.3%.

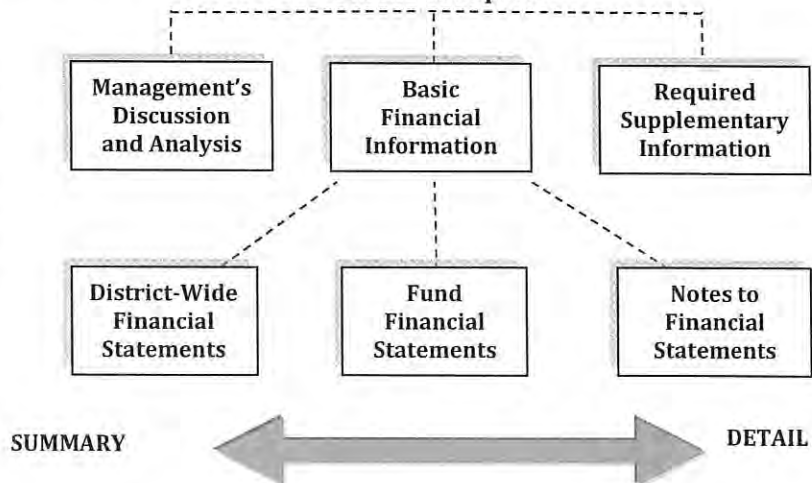
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - The *fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

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



PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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

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

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 11.3% to \$10.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
Assets			
Current assets	\$ 24,955,067	\$ 25,750,141	\$ (795,074)
Capital assets	30,320,860	27,965,203	2,355,657
Total assets	55,275,927	53,715,344	1,560,583
Deferred outflows of resources	6,265,145	4,823,360	1,441,785
Liabilities			
Current liabilities	4,890,562	1,923,098	2,967,464
Long-term liabilities	23,091,926	24,063,518	(971,592)
Net pension liability	20,647,785	19,439,673	1,208,112
Total liabilities	48,630,273	45,426,289	3,203,984
Deferred inflows of resources	2,481,786	1,351,221	1,130,565
Net position			
Net investment in capital assets	16,185,247	17,672,827	(1,487,580)
Restricted	4,479,122	2,952,981	1,526,141
Unrestricted	(10,235,356)	(8,864,614)	(1,370,742)
Total net position	\$ 10,429,013	\$ 11,761,194	\$ (1,332,181)

*As restated

Changes in net position, governmental activities. The District's total revenues increased 14.8% to \$30.0 million (See Table A-2). The increase is due primarily to the increase in property taxes.

The total cost of all programs and services increased 13.8% to \$31.3 million. The District's expenses are predominantly related to educating and caring for students, 64.5%. The purely administrative activities of the District accounted for just 6.5% of total costs. A significant contributor to the increase in costs was due to an increase in facilities, maintenance, and repair projects.

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Revenues			
Program Revenues:			
Charges for services	\$ 378,053	\$ 398,033	\$ (19,980)
Operating grants and contributions	5,185,000	5,560,502	(375,502)
Capital grants and contributions	693,275	3,928	689,347
General Revenues:			
Property taxes	21,785,541	18,394,474	3,391,067
Federal and state aid not restricted	793,342	544,458	248,884
Other general revenues	1,163,105	1,231,128	(68,023)
Total Revenues	29,998,316	26,132,523	3,865,793
Expenses			
Instruction-related	16,153,889	15,585,533	568,356
Pupil services	4,045,184	3,741,526	303,658
Administration	2,037,718	1,345,166	692,552
Plant services	5,865,372	3,486,264	2,379,108
All other activities	3,228,334	3,361,636	(133,302)
Total Expenses	31,330,497	27,520,125	3,810,372
Increase (decrease) in net position	\$ (1,332,181)	\$ (1,387,602)	\$ 55,421
Net Position	\$ 10,429,013	\$ 11,761,194	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$20.0 million, which is below last year's ending fund balance of \$23.5 million. The primary cause of the decreased fund balance is due to the utilization of bond funds for the modernization of school facilities.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
General Fund	\$ 5,684,581	\$ 25,803,077	\$ 27,551,454	\$ 1,065,871	\$ 5,002,075
Deferred Maintenance Fund	458	5	-	-	463
Special Reserve Fund (Other Than Capital Outlay)	5,012,675	49,591	-	(80,314)	4,981,952
Special Reserve Fund (Postemployment Benefits)	1,347,392	3,598	-	(250,000)	1,100,990
Building Fund	9,583,129	92,018	4,709,105	-	4,966,042
County School Facilities Fund	639,818	693,275	-	(735,557)	597,536
Bond Interest and Redemption Fund	1,265,081	3,592,054	1,457,090	-	3,400,045
	\$ 23,533,134	\$ 30,233,618	\$ 33,717,649	\$ -	\$ 20,049,103

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

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

- Revenues – increased \$3.6 million primarily to reflect revised funding estimates.
- Salaries and benefits costs – increased \$2.1 million due to the increases of staffing cost.
- Other service costs – increased by more than \$3.3 million due to an increase in books and supplies cost.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$2.2 million, the actual results for the year show that revenues fell short of expenditures by roughly \$1.7 million. Actual revenues were \$0.7 million less than anticipated, and expenditures were \$1.1 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had acquired \$4.5 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$2.1 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017	
Land	\$ 154,198	\$ 154,198	\$ -
Improvement of sites	2,992,166	3,122,480	(130,314)
Buildings	23,561,821	23,028,371	533,450
Equipment	1,967,368	1,594,237	373,131
Construction in progress	1,645,307	65,917	1,579,390
Total	\$ 30,320,860	\$ 27,965,203	\$ 2,355,657

Long-Term Debt

At year-end the District had \$23.1 million in general obligation bonds, compensated absences, capital leases, early retirement incentives, and other postemployment benefits – a decrease of 4.0% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance Increase (Decrease)
	2018	2017*	
General obligation bonds	\$ 20,079,609	\$ 20,972,207	\$ (892,598)
Compensated absences	118,377	110,659	7,718
Capital leases	45,051	69,802	(24,751)
Early retirement incentive	518,841	393,168	125,673
Other postemployment benefits	2,330,048	2,517,682	(187,634)
Total	\$ 23,091,926	\$ 24,063,518	\$ (971,592)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes \$15.9 Billion in Total Reserves

The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by \$700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending

The budget assumed total state spending of \$197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is \$138.7 billion—an increase of \$11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased \$1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education

The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

Proposition 98 Establishes Minimum Spending Level

This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

PLUMAS UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Higher Proposition 98 Spending in 2016-17 and 2017-18

From the June 2017 budget plan to the June 2018 budget plan, spending increased \$252 million in 2016-17 and \$1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of \$789 million (on top of a previous \$536 million payment). After making the \$1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level

For 2018-19, total Proposition 98 spending across all segments is \$78.4 billion, an increase of \$2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

\$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19

The enacted 2018-19 level is \$2.4 billion (3.6%) more than the revised 2017-18 level and \$3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by \$579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to \$11,645.

Package Includes Mix of Ongoing and One-Time Spending

The budget includes \$5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the \$5.7 billion, \$4 billion (70%) is ongoing and \$1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes \$594 million in Proposition 51 bond authority for school facility projects and \$100 million in non-Proposition 98 funding for kindergarten school facilities.

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates

In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is \$3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to \$61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

PLUMAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2018

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

Funds One-Time Discretionary Grants

The largest one-time spending initiative for K-12 education is \$1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated \$183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total \$145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only \$202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be \$668 million.

All of these factors were considered in preparing the Plumas Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact Lisa Cavin, Associate Superintendent, Business Services at Plumas Unified School District, 1446 East Main Street, Quincy, California 95971.

PLUMAS UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2018*

	Total Governmental Activities
ASSETS	
Cash	\$ 22,310,873
Accounts receivable	2,039,370
Inventories	333,223
Prepaid expenses	271,601
Capital assets:	
Non-depreciable assets	1,799,505
Depreciable assets	65,115,214
Less, accumulated depreciation	<u>(36,593,859)</u>
Total assets	<u>55,275,927</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	97,353
Deferred outflows related to pensions	6,079,747
Deferred outflows related to OPEB	88,045
Total deferred outflows of resources	<u>6,265,145</u>
 LIABILITIES	
Accounts payable	4,509,852
Unearned revenue	380,710
Long-term liabilities:	
Due or payable within one year	2,825,987
Due or payable after one year	20,265,939
Net pension liability	<u>20,647,785</u>
Total liabilities	<u>48,630,273</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred amounts on refunding	102,664
Deferred inflows related to pensions	2,359,135
Deferred inflows related to OPEB	19,987
Total deferred inflows of resources	<u>2,481,786</u>
 NET POSITION	
Net investment in capital assets	16,185,247
Restricted for:	
Capital projects	597,536
Debt service	3,400,045
Categorical programs	481,541
Unrestricted	<u>(10,235,356)</u>
Total net position	<u>\$ 10,429,013</u>

PLUMAS UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instructional Services:					
Instruction	\$ 13,284,858	\$ 24,444	\$ 2,462,236	\$ 693,275	\$ (10,104,903)
Instruction-Related Services:					
Supervision of instruction	602,299	8,057	244,930	-	(349,312)
Instructional library, media and technology	239,920	158	44,700	-	(195,062)
School site administration	2,026,812	579	15,139	-	(2,011,094)
Pupil Support Services:					
Home-to-school transportation	1,283,936	1,119	533,597	-	(749,220)
Food services	1,069,039	84,710	597,594	-	(386,735)
All other pupil services	1,692,209	16,951	546,773	-	(1,128,485)
Ancillary Services	251,191	210	1,853	-	(249,128)
General Administration Services:					
Data processing services	308,012	-	-	-	(308,012)
Other general administration	1,729,706	1,348	102,018	-	(1,626,340)
Plant Services	5,865,372	240,477	636,160	-	(4,988,735)
Interest on Long-term Debt	803,122	-	-	-	(803,122)
Other outgo	44,327	-	-	-	(44,327)
Depreciation (unallocated)	2,129,694	-	-	-	(2,129,694)
Total Governmental Activities	<u>\$ 31,330,497</u>	<u>\$ 378,053</u>	<u>\$ 5,185,000</u>	<u>\$ 693,275</u>	<u>(25,074,169)</u>
General Revenues:					
Property taxes					21,785,541
Federal and state aid not restricted to specific purpose					793,342
Interest and investment earnings					198,720
Interagency revenues					591,261
Miscellaneous					373,124
Total general revenues					<u>23,741,988</u>
Change in net position					(1,332,181)
Net position, July 1, 2017, as originally stated					14,133,813
Restatement - change in accounting principle					<u>(2,372,619)</u>
Net position, July 1, 2017					<u>11,761,194</u>
Net position, June 30, 2018					<u>\$ 10,429,013</u>

PLUMAS UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	General	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 10,689,301	\$ 6,288,024	\$ 3,400,045	\$ 1,333,093	\$ 21,710,463
Accounts receivable	2,039,370	-	-	-	2,039,370
Due from other funds	781,399	-	-	-	781,399
Inventories	333,223	-	-	-	333,223
Prepaid expenditures	271,601	-	-	-	271,601
Total Assets	\$ 14,114,894	\$ 6,288,024	\$ 3,400,045	\$ 1,333,093	\$ 25,136,056
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,648,704	\$ 1,276,140	\$ -	\$ -	\$ 3,924,844
Due to other funds	-	45,842	-	735,557	781,399
Unearned revenue	380,710	-	-	-	380,710
Total Liabilities	3,029,414	1,321,982	-	735,557	5,086,953
Fund Balances					
Nonspendable	608,068	-	-	-	608,068
Restricted	481,541	4,966,042	3,400,045	597,536	9,445,164
Assigned	4,165,653	-	-	-	4,165,653
Unassigned	5,830,218	-	-	-	5,830,218
Total Fund Balances	11,085,480	4,966,042	3,400,045	597,536	20,049,103
Total Liabilities and Fund Balances	\$ 14,114,894	\$ 6,288,024	\$ 3,400,045	\$ 1,333,093	\$ 25,136,056

PLUMAS UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018*

Total fund balances - governmental funds \$ 20,049,103

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The costs of the assets are:

Capital assets at historical cost	66,914,719	
Accumulated depreciation	<u>(36,593,859)</u>	
Net:		30,320,860

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (464,108)

In governmental funds, deferred amounts are not recognized. In the government-wide statements, deferred amounts are amortized over the life of the debt. Unamortized deferred amounts included on the statement of net position are: (5,311)

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

General obligation bonds	20,079,609	
Early retirement incentive	518,841	
Other postemployment benefits	2,330,048	
Capital leases	45,051	
Compensated absences	<u>118,377</u>	
Total:		(23,091,926)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (20,647,785)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is: 479,510

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

Deferred outflows	88,045	
Deferred inflows	<u>(19,987)</u>	
Net:		68,058

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

Deferred outflows	6,079,747	
Deferred inflows	<u>(2,359,135)</u>	
Net:		<u>3,720,612</u>

Total net position - governmental activities \$ 10,429,013

PLUMAS UNIFIED SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
For the Fiscal Year Ended June 30, 2018*

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 17,559,564	\$ -	\$ -	\$ -	\$ 17,559,564
Federal sources	2,911,900	-	-	-	2,911,900
Other state sources	3,346,974	-	-	684,585	4,031,559
Other local sources	2,037,833	92,018	3,592,054	8,690	5,730,595
Total Revenues	25,856,271	92,018	3,592,054	693,275	30,233,618
EXPENDITURES					
Current:					
Instruction	13,315,410	-	-	-	13,315,410
Instruction-Related Services:					
Supervision of instruction	587,199	-	-	-	587,199
Instructional library, media and technology	236,319	-	-	-	236,319
School site administration	2,006,234	-	-	-	2,006,234
Pupil Support Services:					
Home-to-school transportation	1,760,783	-	-	-	1,760,783
Food services	1,025,160	-	-	-	1,025,160
All other pupil services	1,645,979	-	-	-	1,645,979
Ancillary Services	255,221	-	-	-	255,221
General Administration Services:					
Data processing services	308,012	-	-	-	308,012
Other general administration	1,477,352	-	-	-	1,477,352
Plant Services	4,044,254	1,513,145	-	-	5,557,399
Capital Outlay	814,127	3,195,960	-	-	4,010,087
Intergovernmental	44,327	-	-	-	44,327
Debt Service:					
Principal	24,751	-	665,126	-	689,877
Interest	6,326	-	791,964	-	798,290
Total Expenditures	27,551,454	4,709,105	1,457,090	-	33,717,649
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,695,183)	(4,617,087)	2,134,964	693,275	(3,484,031)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	735,557	-	-	-	735,557
Interfund transfers out	-	-	-	(735,557)	(735,557)
Total Other Financing Sources and Uses	735,557	-	-	(735,557)	-
Net Change in Fund Balances	(959,626)	(4,617,087)	2,134,964	(42,282)	(3,484,031)
Fund Balances, July 1, 2017	12,045,106	9,583,129	1,265,081	639,818	23,533,134
Fund Balances, June 30, 2018	\$ 11,085,480	\$ 4,966,042	\$ 3,400,045	\$ 597,536	\$ 20,049,103

PLUMAS UNIFIED SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

Total net change in fund balances - governmental funds \$ (3,484,031)

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

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. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay	4,485,351	
	Depreciation expense	<u>(2,129,694)</u>	
	Net:		2,355,657

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 689,877

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred amounts on the refunding and are amortized to interest expense over the life of the liability. The amount of deferred amounts amortized during the year was: (20,167)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period, but owing from the prior period was: (226,171)

In governmental funds, accreted interest on general obligation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest paid exceeded amounts earned by: 173,049

In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is: 54,423

In the statement of activities, certain operating expenses - compensated absences and early retirement incentives, for example are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts earned exceeded amounts paid by: (133,391)

In governmental funds, other postemployment benefits (OPEB) expenses are recognized when the employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 255,692

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities. (52,338)

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (944,781)

Change in net position of governmental activities \$ (1,332,181)

PLUMAS UNIFIED SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2018

	Governmental Activities <u>Internal Service Fund</u>
ASSETS	
Cash	<u>\$ 600,410</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u> 120,900</u>
NET POSITION	
Restricted	<u><u>\$ 479,510</u></u>

PLUMAS UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
June 30, 2018

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
OPERATING REVENUES	
Other local revenues	<u>\$ 8,864</u>
OPERATING EXPENSES	
Services and other operating expenditures	<u>66,973</u>
Operating income (loss)	(58,109)
NON-OPERATING REVENUES	
Interest income	<u>5,771</u>
Change in net position	(52,338)
Net position, July 1, 2017	<u>531,848</u>
Net position, June 30, 2018	<u><u>\$ 479,510</u></u>

PLUMAS UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
June 30, 2018

	Governmental Activities
	Internal Service Fund
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 8,864
Cash payments for service and operating costs	<u>(50,463)</u>
Net cash provided (used) by operating activities	(41,599)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>5,771</u>
Net increase (decrease) in cash	(35,828)
Cash, July 1, 2017	<u>636,238</u>
Cash, June 30, 2018	<u><u>\$ 600,410</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (58,109)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts payable	<u>16,510</u>
Net cash provided (used) by operating activities	<u><u>\$ (41,599)</u></u>

PLUMAS UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds
	Student Body Funds
Assets	
Cash	\$ 210,685
Total Assets	<u>\$ 210,685</u>
Liabilities	
Due to student groups	\$ 210,685
Total Liabilities	<u>\$ 210,685</u>

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plumas Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This 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 District also maintains a Deferred Maintenance Fund, a Special Reserve Fund for Other Than Capital Outlay Projects, and a Special Reserve Fund for Postemployment Benefits. Under the flexibility provisions of current statute that allow certain formerly restricted revenues to be used for any educational purpose, the Deferred Maintenance Fund does not currently meet the definition of being a special revenue fund as it is no longer primarily composed of restricted or committed revenue sources. In addition, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in these funds are being reported within the General Fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Capital Projects Fund:

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Proprietary Fund

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

Workers' Compensation Self-Insurance Fund: This fund may be used to account for resources committed to pay the costs of the District's workers' compensation claims for its employees.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

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

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Revenues - Exchange and Non-Exchange Transactions (continued)

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

C. Budgetary Data

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

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

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	15-40 years
Land Improvements	15 years
Furniture and Equipment	5-10 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

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

9. Fund Balances

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

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

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

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

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

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (continued)

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

10. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

During the 2012-13 fiscal year, pursuant to GASB Statement No. 54, the District amended its minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires restricted amounts are to be spent before unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, and unassigned) amounts are available. Within unrestricted fund balances, committed, assigned, or unassigned amounts in that order will be spent when an expenditure is incurred for a purpose for which amounts in any of those unrestricted fund balance classifications could be used.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

The minimum unassigned fund balance shall not be less than 17.5% of total expenditures and other financing uses as a Reserve for Economic Uncertainties, in addition to the 3% state requirement. In no event shall the minimum unassigned fund balance be less than \$3,000,000. The Board believes a reserve of this level is prudent to protect the District from the effects of fluctuations in property tax revenues to which Basic Aid districts such as this district are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

Funds in excess of the upper goal may be considered for the following one-time or short-term purposes:

- a. Restore funds advanced from the General Reserve in prior fiscal years;
- b. Increase the General Reserve to its minimally approved level;
- c. Capital and technology improvements;
- d. Reduction or unfunded liabilities, including Retirement and Retiree Health obligations;
- e. Debt retirement;
- f. Productivity enhancements;
- g. Cost avoidance projects;
- h. Litigation;
- i. Local match for grants;
- j. Other purposes deemed to be fiscally prudent for the District and approved by the Governing Board.

The circumstances under which the Reserve for Economic Uncertainties may be spent down are those by which state LCFE funding exceeds local tax revenues, thereby causing the District to lose its Basic Aid status. In this event, the Governing Board shall reconsider, and if appropriate, amend, this resolution and re-bench the Reserve for Economic Uncertainties.

G. Property Tax Calendar

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

H. Use of Estimates

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

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.
3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and "negative" goodwill
 - Classifying real estate held by insurance entities
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.
4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 2 – CASH

Cash at June 30, 2018, is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 21,699,462	\$ 550,410	\$ 22,249,872	\$ -
Deposits:				
Cash on hand and in banks	7,757	-	7,757	210,685
Cash in revolving fund	3,244	-	3,244	-
Cash with fiscal agent	-	50,000	50,000	-
Total Deposits	11,001	50,000	61,001	210,685
Total Cash	<u>\$ 21,710,463</u>	<u>\$ 600,410</u>	<u>\$ 22,310,873</u>	<u>\$ 210,685</u>

Pooled Funds

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

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 2 – CASH (continued)

Pooled Funds (continued)

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2018, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Fair Value Measurements

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

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

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

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

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

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

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

	<u>General Fund</u>
Federal Government:	
Categorical aid programs	\$ 524,095
State Government:	
LCFF sources	43,489
Lottery	107,227
Special education	64,784
Bus emission reduction	536,698
Categorical aid programs	58,984
Local:	
Miscellaneous	<u>704,093</u>
Total	<u>\$ 2,039,370</u>

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2018, consisted of the following:

County School Facilities Fund due to General Fund for cost reimbursements	\$ 735,557
Building Fund due to General Fund for reimbursement of bond related costs	45,842
	<u>\$ 781,399</u>

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2018, consisted of the following:

County School Facilities Fund transfer to General Fund for cost reimbursement	<u>\$ 735,557</u>
---	-------------------

During the 2017-18 fiscal year, the District set up interfund receivables and payables to account for a \$80,314 interfund transfer to the General Fund from the Special Reserve Fund for Other Than Capital Projects, a \$250,000 interfund transfer to the General Fund from the Special Reserve for Postemployment Benefits, a \$1,000,000 interfund transfer to Special Reserve for Postemployment Benefits from the General Fund, as well as a \$1,000,000 interfund transfer to Special Reserve for Other Than Capital Outlay from the General Fund. As described in Note 1.B. and in accordance with GASB Statement No. 54 and the Deferred Maintenance Fund, and the Special Reserve Fund for Postemployment Benefits are reported in the General Fund in these financial statements, therefore, all interfund activity has been removed from the fund financial statements.

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 3,244	\$ -	\$ -	\$ -	\$ 3,244
Stores inventories	333,223	-	-	-	333,223
Prepaid expenditures	271,601	-	-	-	271,601
Total Nonspendable	608,068	-	-	-	608,068
Restricted:					
Categorical programs	481,541	-	-	-	481,541
Capital projects	-	4,966,042	-	597,536	5,563,578
Debt service	-	-	3,400,045	-	3,400,045
Total Restricted	481,541	4,966,042	3,400,045	597,536	9,445,164
Assigned:					
Board priorities SRS funding	242,500	-	-	-	242,500
Site discretionary SRS funding	310,000	-	-	-	310,000
1:1 implementation	300,000	-	-	-	300,000
Increased salary and statutory costs	2,023,862	-	-	-	2,023,862
Lottery funded athletics and safety	187,838	-	-	-	187,838
Postemployment benefits	1,100,990	-	-	-	1,100,990
Deferred maintenance program	463	-	-	-	463
Total Assigned	4,165,653	-	-	-	4,165,653
Unassigned:					
Reserve for economic uncertainties	5,830,218	-	-	-	5,830,218
Total Unassigned	5,830,218	-	-	-	5,830,218
Total	\$ 11,085,480	\$ 4,966,042	\$ 3,400,045	\$ 597,536	\$ 20,049,103

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	\$ 154,198	-	\$ -	\$ 154,198
Construction in progress	65,917	1,579,390	-	1,645,307
Total capital assets not being depreciated	<u>220,115</u>	<u>1,579,390</u>	<u>-</u>	<u>1,799,505</u>
Capital assets being depreciated:				
Improvement of sites	5,677,215	143,147	-	5,820,362
Buildings	50,446,004	1,940,515	-	52,386,519
Equipment	6,086,034	822,299	-	6,908,333
Total capital assets being depreciated	<u>62,209,253</u>	<u>2,905,961</u>	<u>-</u>	<u>65,115,214</u>
Accumulated depreciation for:				
Improvement of sites	(2,554,735)	(273,461)	-	(2,828,196)
Buildings	(27,417,633)	(1,407,065)	-	(28,824,698)
Equipment	(4,491,797)	(449,168)	-	(4,940,965)
Total accumulated depreciation	<u>(34,464,165)</u>	<u>(2,129,694)</u>	<u>-</u>	<u>(36,593,859)</u>
Total capital assets being depreciated, net	<u>27,745,088</u>	<u>776,267</u>	<u>-</u>	<u>28,521,355</u>
Governmental activity capital assets, net	<u>\$ 27,965,203</u>	<u>\$ 2,355,657</u>	<u>\$ -</u>	<u>\$ 30,320,860</u>

NOTE 7 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2018, were as follows:

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 19,470,851	\$ -	\$ 665,126	\$ 18,805,725	\$ 2,563,000
Accreted Interest	1,196,054	132,825	305,874	1,023,005	-
Unamortized Issuance Premium	305,302	-	54,423	250,879	39,051
Subtotal - General Obligation Bonds	<u>20,972,207</u>	<u>132,825</u>	<u>1,025,423</u>	<u>20,079,609</u>	<u>2,602,051</u>
Compensated Absences	110,659	7,718	-	118,377	-
Capital Leases	69,802	-	24,751	45,051	27,556
Early Retirement Incentive	393,168	266,282	140,609	518,841	196,380
Other Postemployment Benefits	2,517,682	101,024	288,658	2,330,048	-
Totals	<u>\$ 24,063,518</u>	<u>\$ 507,849</u>	<u>\$ 1,479,441</u>	<u>\$ 23,091,926</u>	<u>\$ 2,825,987</u>

Note: Beginning OPEB balance has been restated due to the implementation of GASB Statement No. 75

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences, early retirement incentives, and other postemployment benefits will be paid for by the fund for which the employee worked. Payments for capital leases are made by the General Fund.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds

Election of 2002

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 5, 2002, at which more than 55% of the voters authorized the issuance and sale of \$15 million of general obligation bonds to renovate, construct and modernize classrooms and school facilities. The bonds are general obligations of the District and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds.

2005 Refunding

On September 14, 2005, the District issued \$7,255,000 to advance refund the portion of the general obligation bonds, Election of 2002, Series A, maturing on and after August 1, 2021. The refunded portions of the bonds are considered insubstance defeased and are not recorded on the financial statements.

2016 General Obligation Refunding Bonds

On November 9, 2016, the District issued \$4,246,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.05% and 2.36% with annual maturities from August 1, 2017 through August 1, 2026. The net proceeds of \$4,150,274 (after issuance costs of \$95,726) were used to advance refund a portion of the District's outstanding Election of 2002 General Obligation Bonds, Series B and pay the costs of issuance.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2018 of \$(102,664) remain to be amortized. As of June 30, 2018, the principal balance was fully repaid.

The refunding decreased the District's total debt service payments by \$819,074. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$732,474.

Election of 2016

On November 9, 2016, voters approved by more than 55% the issuance and sale of \$50 million in general obligation bonds to finance and reimburse the costs of construction, repair, modernization, acquisition, and equipping of school classrooms, facilities and school sites within the district, fund a portion of capitalized interest through February 1, 2018, and to pay costs of issuance associated with the bonds. The bonds are general obligations of the District. The county is obligated to levy ad valorem taxes upon all the property within the District for the payment of interest on and principal of the bonds.

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

A summary of the District's outstanding general obligation bonds is below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
2002 A	4/30/2005	8/1/2017	2.50%-8.15%	\$ 9,998,602	\$ 144,126	\$ -	\$ 144,126	\$ -
2002 B	9/14/2005	8/1/2030	5.06%-7.60%	5,000,725	925,725	-	-	925,725
2005 Refunding	9/14/2005	8/1/2021	3.50%-5.25%	7,255,000	4,235,000	-	380,000	3,855,000
2016 Refunding	11/9/2016	8/1/2026	1.05%-2.36%	4,246,000	4,246,000	-	141,000	4,105,000
2016 A	6/7/2017	8/1/2047	2.0%-3.375%	9,920,000	9,920,000	-	-	9,920,000
					<u>\$ 19,470,851</u>	<u>\$ -</u>	<u>\$ 665,126</u>	<u>\$ 18,805,725</u>
Accreted Interest:								
					\$ 288,255	\$ 17,619	\$ 305,874	\$ -
					907,799	115,206	-	1,023,005
				Total	<u>\$ 1,196,054</u>	<u>\$ 132,825</u>	<u>\$ 305,874</u>	<u>\$ 1,023,005</u>

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2018, were as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 2,563,000	\$ 578,342	\$ 3,141,342
2019-20	2,788,000	476,019	3,264,019
2020-21	1,104,000	407,947	1,511,947
2021-22	1,174,000	353,442	1,527,442
2022-23	825,000	289,205	1,114,205
2023-28	3,986,959	1,903,944	5,890,903
2028-33	1,559,766	3,083,194	4,642,960
2033-38	1,130,000	780,972	1,910,972
2038-43	1,565,000	533,950	2,098,950
2043-48	2,110,000	192,850	2,302,850
Total	<u>\$ 18,805,725</u>	<u>\$ 8,599,865</u>	<u>\$ 27,405,590</u>

B. Early Retirement Incentives

The District offers ERI to classified employees on an annual basis. The retiree shall receive four annual installments equal to 70% of the savings generated at the employee's retirement date. The combined future obligation under this plan is \$518,841.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 7 - GENERAL LONG-TERM DEBT (continued)

C. Capital Lease

On January 22, 2015, the District entered into a lease agreement with Wells Fargo for the acquisition of new copiers valued at \$119,712. Principal and interest payment requirements are as follows:

Fiscal Year	Principal	Interest	Total
2018-19	\$ 27,556	\$ 3,522	\$ 31,078
2019-20	17,495	634	18,129
Total	\$ 45,051	\$ 4,156	\$ 49,207

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment.

NOTE 8 - JOINT VENTURES

The Plumas Unified School District participates in three joint powers agreement (JPA) entities, the Northern California Schools Insurance Group (NCSIG), Schools Excess Liability Fund (SELF), and the Northeastern Joint Powers Authority (NEJPA). The relationship between the Plumas Unified School District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The NEJPA provides workers compensation, property and liability coverage for its member school districts through a varying combination of self-insurance and excess coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information is as follows:

	NCSIG June 30, 2017	SELF June 30, 2017	NEJPA June 30, 2017
Assets	\$ 8,184,925	\$ 126,226,732	\$ 748,587
Deferred outflows of resources	-	353,399	-
Liabilities	3,822,369	104,103,406	370,089
Deferred inflows of resources	-	47,698	-
Net Position	\$ 4,362,556	\$ 22,429,027	\$ 378,498
Revenues	\$ 7,916,228	\$ 14,352,055	\$ 2,996,327
Expenses	7,545,474	13,352,806	2,953,724
Operating Income	370,754	999,249	42,603
Non-Operating Income (Expense)	(13,475)	(104,843)	666
Change in Net Position	\$ 357,279	\$ 894,406	\$ 43,269

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 9 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in the Northern California Schools Insurance Group (NCSIG), Northern California ReLiEF, Schools Association for Excess Risk (SAFER), and Schools Excess Liability Fund (SELF) public entity risk pools for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017-18, the District was self-funded for workers compensation, with excess coverage provided by the Northeastern Joint Powers Authority (NEJPA) public entity risk pool.

Employee Medical Benefits

The District has contracted with California's Valued Trust to provide classified employees' medical, dental and vision benefits and with Anthem Blue Cross to provide certificated employees' medical benefits.

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District's workers' compensation from July 1, 2016 to June 30, 2018:

	Workers' Compensation
Liability Balance, June 30, 2016	\$ 137,259
Claims and changes in estimates	(66,998)
Claims payments	34,129
Liability Balance, June 30, 2017	104,390
Claims and changes in estimates	(50,463)
Claims payments	66,973
Liability Balance, June 30, 2018	\$ 120,900
Assets available to pay claims at June 30, 2018	\$ 600,410

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2018.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 11,915,909	\$ 3,387,169	\$ 2,255,221	\$ 1,335,791
CalPERS	8,731,876	2,692,578	103,914	1,673,520
Total	\$ 20,647,785	\$ 6,079,747	\$ 2,359,135	\$ 3,009,311

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Benefits Provided (continued)

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$1,135,541.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 11,915,909
State's proportionate share of the net pension liability associated with the District	2,782,825
Total	<u>\$ 14,698,734</u>

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 - PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2018</u>	<u>Fiscal Year Ending June 30, 2017</u>	
Measurement Date	<u>June 30, 2017</u>	<u>June 30, 2016</u>	
Proportion of the Net Pension Liability	0.001289%	0.015000%	-0.013712%

For the year ended June 30, 2018, the District recognized pension expense of \$1,335,791. In addition, the District recognized pension expense and revenue of \$125,621 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,135,541	\$ -
Net change in proportionate share of net pension liability	-	1,730,035
Difference between projected and actual earnings on pension plan investments	-	317,354
Changes of assumptions	2,207,561	-
Differences between expected and actual experience in the measurement of the total pension liability	44,067	207,832
Total	<u>\$ 3,387,169</u>	<u>\$ 2,255,221</u>

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

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (167,443)
2020	296,025
2021	125,172
2022	(185,611)
2023	120,404
Thereafter	(192,140)
Total	<u>\$ (3,593)</u>

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 17,496,338
Current discount rate (7.10%)	11,915,909
1% increase (8.10%)	7,387,013

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$360,184 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 11 - PENSION PLANS (continued)

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

Contributions (continued)

The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$803,367.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$8,731,876. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2018	Fiscal Year Ending June 30, 2017	
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.036577%	0.037000%	-0.000423%

For the year ended June 30, 2018, the District recognized pension expense of \$1,673,520. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 803,367	\$ -
Net change in proportionate share of net pension liability	-	1,107
Difference between projected and actual earnings on pension plan investments	302,063	-
Changes of assumptions	1,275,428	102,807
Differences between expected and actual experience in the measurement of the total pension liability	311,720	-
Total	<u>\$ 2,692,578</u>	<u>\$ 103,914</u>

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

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 561,584
2020	859,336
2021	548,271
2022	(183,894)
2023	-
Thereafter	-
Total	<u>\$ 1,785,297</u>

Actuarial Methods and Assumptions

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administration expenses.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 11 - PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 12,847,388
Current discount rate (7.15%)	8,731,876
1% increase (8.15%)	5,317,714

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2018, the District reported payables of \$17,717 for the outstanding amount of legally required contributions to the CalSTRS pension plan, required for the fiscal year ended June 30, 2018.

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

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

Benefits provided

The District offers medical, prescription drug, dental, and vision benefits to Classified employees and retirees through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. All other groups receive a choice of four Blue Cross medical and prescription drug plans, as well as Delta Dental and VSP vision, all through the Self-Insured Schools of California (SISC), a California Joint Powers Authority, also on a pooled, self-insured basis. Upon entering PERS retirement, Classified, Supervisory and Confidential employees may elect to remain in the District's health program, including spousal coverage, by paying the entire cost-plus service/administration fees up to age 65. Upon death of the retiree prior to age 65, a surviving spouse who was covered at the time of the retiree's death may continue coverage by self-paying the premium until age 65.

Upon retirement after the later of age 55 and ten years of District service, qualifying Classified, Supervisory and Confidential employees may convert unused sick leave towards District paid health benefits. 554 hours of unused sick leave will equal one year of health benefits (up to an annual cap of \$6,648). Any hours more than 554 hours may be used to provide pro-rated benefits beyond one year. The retiree is responsible for paying the difference between the cap (or pro-rated amount) and the actual monthly premium.

Current active employees in all groups other than Classified, Supervisory and Confidential are not eligible to receive District-paid retiree health benefits.

There are 17 retirees with grandfathered benefits provided under prior bargaining language; these benefits are not expected to be repeated in the future. These retirees receive benefits either to a stated age (usually 65) or for life. The active cap of \$11,059 per year applies to some of the retirees; others have uncapped benefits. Benefits include medical, prescription drug/Part D, dental, and vision coverage for retiree and dependents.'

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	108
Total	<u>125</u>

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Medicare Premium Payment (MPP) Program

The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Total OPEB Liability

The District's total OPEB liability of \$2,243,772 for the District Plan was measured as of February 1, 2018, and was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability of \$86,276 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions and other inputs

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

	District Plan	MPP Program
Valuation Date	February 1, 2018	June 30, 2016
Experience Study	February 1, 2015 to January 31, 2015	July 1, 2010, through June 30, 2015
Inflation	3.62 percent	N/A
Salary increases	3.00 percent	N/A
Healthcare cost trend rates	6.00% decreasing to 5.00%	3.58 percent
Retirees' share of benefit-related costs	Retirees pay the balance of the premium after statutory minimum benefit contributed by the District.	3.7 percent for Medicare Part A, and 4.1 percent for Medicare Part B

District Plan

The discount rate is reflects the following: the long-term expected rate of return on OPEB plan investments - to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return; a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher - to the extent that the conditions above are not met.

Mortality rates are based on the 2009 CalSTRS for Certificated members and the 2014 CalPERS Active Mortality for Miscellaneous Employees for Miscellaneous members.

MPP Program

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

PLUMAS UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

MPP Program (continued)

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	<u>\$ 2,421,703</u>
Changes for the year:	
Service cost	12,607
Interest	79,799
Changes in assumptions or other inputs	(24,746)
Benefit payments	(245,591)
Net changes	<u>(177,931)</u>
Balance at June 30, 2018	<u>\$ 2,243,772</u>

Sensitivity of the total OPEB liability to changes in the discount rate

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

	1% Decrease <u>2.62%</u>	Discount Rate <u>3.62%</u>	1% Increase <u>4.62%</u>
District Plan	\$ 2,418,563	\$ 2,243,772	\$ 2,090,599
	1% Decrease <u>2.58%</u>	Discount Rate <u>3.58%</u>	1% Increase <u>4.58%</u>
MPP Program	\$ 95,514	\$ 86,276	\$ 77,291

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2018

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
District Plan	\$ 2,098,270	\$ 2,243,772	\$ 2,406,392
	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	\$ 77,964	\$ 86,276	\$ 94,506

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$255,692. At June 30, 2018, the District reported deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date of the total OPEB liability will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:		
2019	\$	(4,759)
2020		(4,759)
2021		(4,759)
2022		(4,759)
2023		(951)
Thereafter		-

E. Payable to the OPEB Plan

At June 30, 2018, the District reported no payable for outstanding OPEB contributions for the year ended June 30, 2018.

Required Supplementary Information

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PLUMAS UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	\$ 16,555,363	\$ 17,492,355	\$ 17,559,564	\$ 67,209
Federal Sources	2,101,039	2,987,289	2,911,900	(75,389)
Other State Sources	2,617,335	4,026,158	3,346,974	(679,184)
Other Local Sources	1,617,125	1,947,860	1,984,639	36,779
Total Revenues	22,890,862	26,453,662	25,803,077	(650,585)
Expenditures				
Current:				
Certificated Salaries	8,097,763	9,032,194	9,147,554	(115,360)
Classified Salaries	4,421,340	4,908,461	4,950,922	(42,461)
Employee Benefits	6,022,720	6,668,760	6,358,652	310,108
Books and Supplies	1,580,908	2,424,520	1,722,143	702,377
Services and Other Operating Expenditures	3,150,634	4,230,036	3,853,129	376,907
Capital Outlay	16,000	1,418,434	1,443,650	(25,216)
Intergovernmental	10,000	10,000	44,327	(34,327)
Debt service	-	-	31,077	(31,077)
Total Expenditures	23,299,365	28,692,405	27,551,454	1,140,951
Excess (Deficiency) of Revenues Over (Under) Expenditures	(408,503)	(2,238,743)	(1,748,377)	490,366
Other Financing Sources and Uses				
Interfund Transfers In	280,000	1,046,748	1,065,871	19,123
Net Change in Fund Balance	(128,503)	(1,191,995)	(682,506)	509,489
Fund Balances, July 1, 2017	5,684,581	5,684,581	5,684,581	-
Fund Balances, June 30, 2018	\$ 5,556,078	\$ 4,492,586	\$ 5,002,075	\$ 509,489

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

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.0129%	0.0150%	0.0160%	0.0150%
District's proportionate share of the net pension liability	\$ 11,915,909	\$ 12,132,150	\$ 10,771,840	\$ 8,765,549
State's proportionate share of the net pension liability associated with the District	2,782,825	6,907,633	5,697,101	5,293,070
Totals	\$ 14,698,734	\$ 19,039,783	\$ 16,468,941	\$ 14,058,619
District's covered-employee payroll	\$ 6,911,017	\$ 7,263,029	\$ 7,411,104	\$ 6,853,079
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.42%	167.04%	145.35%	127.91%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.0366%	0.0370%	0.0377%	0.0360%
District's proportionate share of the net pension liability	\$ 8,731,876	\$ 7,307,523	\$ 5,557,017	\$ 4,086,877
District's covered-employee payroll	\$ 4,667,382	\$ 4,443,842	\$ 4,177,453	\$ 3,788,901
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.08%	164.44%	133.02%	107.86%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

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

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2018

	Last Ten Fiscal Years*			
	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	\$ 1,135,541	\$ 869,406	\$ 779,323	\$ 658,106
Contributions in relation to the contractually required contribution	1,135,541	869,406	779,323	658,106
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,869,307	\$ 6,911,017	\$ 7,263,029	\$ 7,411,104
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	\$ 803,367	\$ 648,206	\$ 526,462	\$ 491,728
Contributions in relation to the contractually required contribution	803,367	648,206	526,462	491,728
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,172,668	\$ 4,667,382	\$ 4,443,842	\$ 4,177,453
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

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

PLUMAS UNIFIED SCHOOL DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018*

Last 10 Fiscal Years*

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 12,607
Interest	79,799
Changes of assumptions or other inputs	(24,746)
Benefit payments	<u>(245,591)</u>
Net change in total OPEB liability	(177,931)
Total OPEB liability - beginning	2,421,703
Total OPEB liability - ending	<u>\$ 2,243,772</u>
Covered-employee payroll	<u>\$ 14,256,107</u>
Total OPEB liability as a percentage of covered- employee payroll	<u>15.74%</u>

Notes to Schedule:

No changes noted.

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

PLUMAS UNIFIED SCHOOL DISTRICT

*Schedule of Changes in the District's Total OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018*

(Dollars in Thousands, except for District's proportionate share)

	<u>2018</u>
Total OPEB liability	
Interest	\$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	<u>(47,282)</u>
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	<u>\$ 420,749</u>
Plan fiduciary net position	
Contributions - employer	\$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	<u>31</u>
Plan fiduciary net position - beginning	<u>10</u>
Plan fiduciary net position - ending	<u>\$ 41</u>
Net OPEB liability	<u>\$ 420,708</u>
District's proportionate share of net OPEB liability	<u>\$ 86,276</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>
Covered-employee payroll	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>

Notes to Schedule:

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

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

PLUMAS UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULE

Budgetary Comparison Schedules

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

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

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>General Fund</u>	<u>Amount</u>
Certificated Salaries	\$ 115,360
Classified Salaries	42,461
Capital Outlay	25,216
Intergovernmental	34,327
Debt service	31,077

Supplementary Information

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PLUMAS UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2018

The Plumas Unified School District was organized as a unified school district in the State of California and provides public education for grades K-12 within Plumas County. There were no changes to the District boundaries in the current year. The District maintains four elementary schools, four junior-senior high schools, and two continuation high schools.

GOVERNING BOARD		
Member	Office	Term Expires
Leslie Edlund	President	December 2018
Traci Holt	Clerk	December 2018
Dave Keller	Member	December 2020
Dwight Pierson	Member	December 2018
Joleen Cline	Member	December 2020

DISTRICT ADMINISTRATORS

Terry Oestreich,
Superintendent

Lisa Cavin,
Associate Superintendent, Business Services

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
	Certificate No. (F0601C2E)	Certificate No. (21B54361)
Regular ADA:		
Transitional Kindergarten through Third	527.00	529.34
Fourth through Sixth	411.56	413.49
Seventh through Eighth	266.69	264.35
Ninth through Twelfth	497.03	490.38
	<u>1,702.28</u>	<u>1,697.56</u>
Special Education-Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	0.53	0.53
Fourth through Sixth	0.09	0.09
	<u>0.62</u>	<u>0.62</u>
Total ADA	<u>1,702.90</u>	<u>1,698.18</u>

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Traditional Calendar Days</u>	<u>Status</u>
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	53,040	180	Complied
Grade 2	50,400	53,040	180	Complied
Grade 3	50,400	53,040	180	Complied
Grade 4	54,000	55,340	180	Complied
Grade 5	54,000	55,340	180	Complied
Grade 6	54,000	55,340	180	Complied
Grade 7	54,000	65,964	180	Complied
Grade 8	54,000	65,964	180	Complied
Grade 9	64,800	65,964	180	Complied
Grade 10	64,800	65,964	180	Complied
Grade 11	64,800	65,964	180	Complied
Grade 12	64,800	65,964	180	Complied

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019 ²	2018 ³	2017	2016
Revenues and other financing sources	\$ 26,203,450	\$ 26,868,948	\$ 25,120,158	\$ 25,218,413
Expenditures	25,942,681	27,551,454	25,991,478	23,442,221
Other uses and transfers out	-	-	-	1,274,900
Total outgo	<u>25,942,681</u>	<u>27,551,454</u>	<u>25,991,478</u>	<u>24,717,121</u>
Change in fund balance (deficit)	260,769	(682,506)	(871,320)	501,292
Ending fund balance	<u>\$ 5,262,844</u>	<u>\$ 5,002,075</u>	<u>\$ 5,684,581</u>	<u>\$ 6,555,901</u>
Available reserves ¹	<u>\$ 5,760,232</u>	<u>\$ 5,728,558</u>	<u>\$ 5,728,558</u>	<u>\$ 7,243,862</u>
Available reserves as a percentage of total outgo	<u>22.2%</u>	<u>20.8%</u>	<u>22.0%</u>	<u>29.3%</u>
Total long-term debt	<u>\$ 40,913,724</u>	<u>\$ 43,739,711</u>	<u>\$ 43,503,191</u>	<u>\$ 28,872,932</u>
Average daily attendance at P-2 ⁴	<u>1,721</u>	<u>1,703</u>	<u>1,664</u>	<u>1,695</u>

The General Fund balance has decreased by \$1,553,826 over the past two years. The fiscal year 2018-19 adopted budget projects an increase of \$260,769. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating surplus during the 2018-19 fiscal year. Long-term debt has increased by \$14,866,779 over the past two years.

Average daily attendance has increased by 8 over the past two years. An increase in ADA of 18 is anticipated during fiscal year 2018-19.

¹ Available reserves consist of all unassigned fund balances in the General Fund plus amounts in the Special Reserve Fund for Other Than Capital Outlay Projects.

² Revised Budget September, 2018.

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

⁴ Average daily attendance (ADA) does not include basic aid choice/court ordered voluntary pupil transfer regular ADA and basic aid open enrollment ADA.

PLUMAS UNIFIED SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Storrie Fire Rehabilitation	N/A	Unknown		\$ 426,634
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Needy	10.553	13526	\$ 136,986	
National School Lunch Program	10.555	13523	350,325	
USDA Donated Foods	10.555	N/A	40,625	
Total Child Nutrition Cluster				527,936
Child Care Food Program Cluster				
Child and Adult Care Food Program	10.558	13393	24,005	
CCFP Cash in Lieu of Commodities	10.558	13389	1,728	25,733
Total Child Care Food Program Cluster				
Passed through Plumas County Office of Education:				
Forest Reserve	10.665	10044		24,154
Total U.S. Department of Agriculture				1,004,457
U.S. Department of Education:				
Indian Education	84.060	10011		19,484
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		396,932
Title I, Part G, AP Test Reimbursement	84.330B	14831		291
Title II, Part A, Supporting Effective Instruction State Grant	84.367	14341		101,909
Title III, Limited English Proficiency	84.365	14346		6,549
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		15,845
Passed through Plumas County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster (IDEA)				
Local Assistance Entitlement	84.027	13379	387,946	
Preschool Local Entitlement	84.027A	13682	26,947	
Preschool Grants, Part B	84.173	13430	21,442	
Mental Health Allocation Plan, Part B	84.173A	13431	23,529	
Preschool Staff Development, Part B	84.027A	14468	1,000	
Total Special Education (IDEA) Cluster				460,864
Early Intervention Grants, Part C	84.181	23761		25,130
Total U.S. Department of Education				1,027,004
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	52,157	
Medi-Cal Administrative Activities (MAA)	93.778	10060	8,266	
Total Medicaid Cluster				60,423
Total U.S. Department of Health & Human Services				60,423
Total Expenditures of Federal Awards				\$ 2,091,884

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

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2018

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
Plumas Charter School (No. 0146)	Not included

PLUMAS UNIFIED SCHOOL DISTRICT

Note to Supplementary Information

June 30, 2018

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

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

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 2,911,900
Differences between Federal Revenues and Expenditures:		
Forest Reserve	10.665	(802,921)
Medi-Cal Billing Option	93.778	(6,802)
Medi-Cal Administrative Activities	93.778	(10,293)
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,091,884</u>

Schedule of Charter Schools

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

Other Independent Auditors' Reports

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

To the Board of Education
Plumas Unified School District
Quincy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Plumas Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Plumas Unified School District's basic financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plumas Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2018-001 and 2018-002.

Plumas Unified School District's Responses to Findings

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

Purpose of this Report

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



Murrieta, California
November 19, 2018



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Education
Plumas Unified School District
Quincy, California

Report on State Compliance

We have audited Plumas Unified School District's compliance with the types of compliance requirements described in the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting that could have a direct and material effect on each of the Plumas Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Plumas Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Plumas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Table with 2 columns: Description, Procedures Performed. Rows include: Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (No (see below)), Continuation Education (No (see below)), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

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

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Plumas Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Findings 2018-001 and 2018-002. Our opinion on each state program is not modified with respect to these matters.

District's Responses to Findings

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

Nigro + Nigro, PC

Murrieta, California
November 19, 2018



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

To the Board of Education
Plumas Unified School District
Quincy, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 19, 2018

Findings and Questioned Costs

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PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>84.367</u>	<u>Title II, Part A, Supporting Effective Instruction</u>

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

State Awards

Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>
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PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2017-18.

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2018-001: Classroom Teacher Salaries (61000)

Criteria: Education Code 41372 states that unified school districts shall expend an amount equal to or greater than 55 percent of the district's current expense of education on classroom teacher salaries.

Condition: The District did not meet the minimum requirement, having spent only 52.27 percent on classroom compensation.

Questioned Cost: The District's current expense for education was \$22,447,602. The District was required to spend \$12,346,181 for current education expense during the 2017-18 fiscal year; however, they only spent \$11,734,354, resulting in a deficiency amount of \$611,827. The county superintendent of schools may designate this amount from future apportionments, thereby restricting the funds pending determination of exemption.

Cause: The District had an increase in teacher salaries in 2017-18 compared to 2016-17, however other spending caused the deficiency in achieving the required percentage.

Context: This affects only the 2017-18 fiscal year.

Effect: The District did not meet the required percentage of classroom compensation.

Recommendation: The District should seek a waiver from the County, and plan accordingly for future years to bring the District back into compliance.

Views of Responsible Officials: Plumas Unified School District has eight frontier-rural schools serving approximately 1850 students. This equates to an average of 231 students per site, with each site fully staffed with support personnel (secretary, principal custodial, food service, etc.). Additionally, these sites are very old and literally falling apart. Our facility costs are extraordinary. This is also a reflection of one time money not being spent on ongoing personnel costs. As a result of these matters, our cost of education is lower than the threshold established in Education Code. Until such time as our ongoing revenue increases or our facilities are brought into repair, this is likely to continue to be an issue for PUSD. The District has committed to exploring ways and devising a plan to make incremental progress to meet this requirement. A waiver will be sought for the 2017/18 fiscal year.

PLUMAS UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2018-002: Local Control and Accountability Plan (62000)

Criteria: Education Code Section 56062 (5)(b)(1) requires that A governing board of a school district shall hold at least one public hearing to solicit the recommendations and comments of members of the public regarding the specific actions and expenditures proposed to be included in the local control and accountability plan or annual update to the local control and accountability plan. The agenda for the public hearing shall be posted at least 72 hours before the public hearing and shall include the location where the local control and accountability plan or annual update to the local control and accountability plan will be available for public inspection. The public hearing shall be held at the same meeting as the public hearing required by paragraph (1) of subdivision (a) of Section 42127.

Condition: During our review of the Local Control and Accountability Plan (LCAP) notice of public hearing, we determined that the notice did not include the location where the LCAP would be available for public inspection.

Effect: Since the notice did not have the location where the LCAP was available for review, the public may have been prevented from review the plan.

Cause: The District was unaware of the requirement and posted the notice without including the location of where it would be available.

Questioned Cost: None.

Recommendation: We recommend that the District includes the location of where the LCAP will be available for public inspection on the public hearing notice in the future.

Views of Responsible Officials: We concur with Finding 2018-002 Local Control and Accountability Plan (62000). We have changed our template for that public notice to include the location where the LCAP will be available for public inspection.

PLUMAS UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2017-001: Associated Student Body (ASB) Accounting</i>	<p>In our test of cash disbursements testing, we noted that several disbursements did not receive pre-approval by required authorizers and purchased items were shipped to the purchaser's home address rather to the school. Issuing payment for expenditures without proper approvals can provide the opportunity for the misappropriation of student funds. Allowing items to be shipped directly to the purchaser allows the possibility for fraudulent transactions to occur and go undetected. In addition, we also noted there were two expenditures that appeared to be unallowable disbursement. Anything that is purchased by the ASB Fund must be for goods and services that promote the students' general welfare, morale, and educational experience. It is noted at Portola Jr./Sr. High that one disbursement was missing supporting documentation.</p> <p>During our cash receipts testing, we noted two receipts which were not deposited in a timely manner, occurring three weeks after collection. It was also noted at Greenville Jr./Sr. High, that three receipts could not be reconciled to supporting documentation and one deposit lacked sufficient documentation. All cash receipts which are prepared for deposit should be evidenced by additional documentation showing an itemization of the item being included in the total bank deposit. This provides an audit trail from the initial cash receipt to the final deposit of the funds into the bank account and evidence that the funds have been deposited intact. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.</p>	30000	<p>We recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent. In addition, we recommend all goods or services purchased with ASB funds be shipped to school office. We recommend that the sites evaluate in advance whether the proposed purchase is an allowable use of ASB funds and that the sites be reminded of what constitute prohibited purchases.</p> <p>We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales. For example, pre-numbered receipts or tally sheets should be used to track t-shirt sales, payment for field trips or book fairs; then they should be reconciled to the amount of cash collected for that event. Two individuals should count and initial the coin count sheet for tracking purposes. Finally, the deposit should be entered into the accounting software and deposited within one week. Sound internal controls for handling cash and inventory discourage theft of ASB funds and protect those who handle the cash and inventory. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in a properly accounted for.</p>	Partially Implemented. See Management Comment Letter.

PLUMAS UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2018

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2017-002:</i> <i>CALPADS</i> <i>Unduplicated</i> <i>Pupil Counts</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. <p>During our testing of the English Learner eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that one student was reported as qualifying for English Learner, but was reclassified during the 2015-16 school year but did not update in CALPADS. This is an isolated error that occurred during the reclassification process.</p>	<p>40000</p>	<p>We recommend that procedures implemented are followed by the district to ensure that student eligibility is correct.</p>	<p>Implemented.</p>
<p><i>Finding 2017-003:</i> <i>Classroom Teacher</i> <i>Salaries</i></p>	<p>Education Code 41372 states that unified school districts shall expend an amount equal to or greater than 55 percent of the district's current expense of education on classroom teacher salaries.</p> <p>The District did not meet the minimum requirement, having spent only 50.45 percent on classroom compensation.</p>	<p>61000</p>	<p>The District should seek a waiver from the County, and plan accordingly for future years to bring the District back into compliance.</p>	<p>Not Implemented. See Finding 2018-001.</p>

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To the Board of Education
Plumas Unified School District
Quincy, California

In planning and performing our audit of the basic financial statements of Plumas Unified School District for the year ending June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 19, 2018 on the financial statements of Plumas Unified School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our review of disbursements at Portola Jr./Sr. High and Quincy Jr./Sr. High, we noted that approvals are not consistently obtained prior to making a purchase and original supporting documentation such as receipts or invoices were not retained. Education Code Section 48933(b) requires all payments from ASB funds be authorized by a student representative, an advisor, and a district representative prior to disbursing the funds. We also noted items ordered online were shipped to the purchaser's home address rather to the school.

Recommendation: We recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent. In addition, we recommend all goods or services purchased with ASB funds be shipped to the school's office.

Observation: During our testing of cash receipts at Chester Jr./Sr. High, Greenville Jr./Sr. High, Portola Jr./Sr. High and Quincy Jr./Sr. High, we identified deposits which were lacking complete supporting documentation. Without adequate and complete supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts. Additionally, we found deposits at these sites that were not made in a timely manner. These untimely deposits were collected by other departments at the school and were delayed in being delivered to the ASB bookkeeper. We also noted reconciliations that were not prepared timely throughout the district. Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit

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

Additionally, we recommend that the site emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. We recommend that the monthly bank reconciliations be prepared within two weeks after receiving the statements. Furthermore, the principal or ASB advisor at each site should review the bank reconciliation and initial and date as evidence they were reviewed.

We will review the status of the current year comments during our next audit engagement.

Nigro+Nigro, PC

Murrieta, California
November 19, 2018

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF LOZANO SMITH]

February __, 2019

Board of Education
Plumas Unified School District
1446 East Main Street
Quincy, California

\$ _____
Plumas Unified School District
(Plumas County, California)
General Obligation Bonds, Election of 2016, Series B

FINAL OPINION OF BOND COUNSEL

Ladies and Gentlemen:

We have acted as bond counsel to the Plumas Unified School District (the "District") in connection with the issuance by the District of its Plumas Unified School District (Plumas County, California) General Obligation Bonds, Election of 2016, Series B in the aggregate principal amount of \$ _____ (the "Bonds"), issued under Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof (the "Bond Law") and under Resolution No. 1555 adopted by the Board of Education of the District on January 16, 2019 (the "Bond Resolution"). The Bonds were sold to Hilltop Securities Inc., as Underwriter (the "Underwriter") pursuant to a Bond Purchase Agreement, dated January __, 2019 (the "Bond Purchase Agreement"), between the District and the Underwriter.

In such connection, we have examined the Bond Resolution, the Bond Law, the tax certificate, dated the date hereof and executed by the District (the "Tax Certificate"), the Bond Purchase Agreement, the Continuing Disclosure Certificate, dated the date hereof and executed by the District (the "Continuing Disclosure Certificate"), certificates of the District and others, and such other law, documents, opinions and matters to the extent we deemed necessary to render the opinions or conclusions set forth herein.

The opinions and conclusions herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due

and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution, the Tax Certificate, the Continuing Disclosure Certificate and the Bond Purchase Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We express no opinion herein regarding the accuracy, adequacy or completeness of the Official Statement relating to the Bonds, dated January __, 2019.

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

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

2. The Bonds have been duly authorized, issued and sold by the District and are valid and binding general obligations of the District, and the Board of Supervisors of the County of Plumas is obligated and authorized under the laws of the State of California to levy and collect ad valorem taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that 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 the Tax Certificate and other instruments relating to the Bonds to comply with each of such requirements under the Code. Failure to comply with certain of such requirements under the Code 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.

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

Except as stated in the preceding paragraphs, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may

thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

Lozano Smith, LLP

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
PLUMAS UNIFIED SCHOOL DISTRICT
(Plumas County, California)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES B

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Plumas Unified School District (the "District") in connection with the issuance of the above-captioned bonds (the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Education of the District on January 16, 2019 (the "Resolution"). The District covenants and agrees as follows:

Section 1. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("SEC") 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, initially, Capitol Public Finance Group, LLC, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

"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 the original underwriter of the Bonds, Hilltop Securities Inc., 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.

Section 3. Provision of Annual Reports.

(a) The District shall provide, or shall cause the Dissemination Agent to provide, to the MSRB in an electronic format as prescribed by the MSRB, not later than each Annual Report Date, commencing no later than March 31, 2019, with the report for the 2017-18 Fiscal Year, 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 Audit Report of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

(1) 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

(2) 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 (Audit Report) 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 Audit Report is not available by the Annual Report Date, then the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the Audit Report shall be filed in the same manner as the Annual Report when it becomes available.

(b) Unless otherwise provided in the Audit Report filed on or before the Annual Report Date, financial information and operating data with respect to the District for the most recently completed fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (1) the District's most recent approved annual budget;
- (2) the most recent assessed valuation of taxable properties in the District; and
- (3) if the County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the most recent property tax levies, collections; and delinquencies of the District.

(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. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, 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 governing legal documents.

(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 prepayment 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. Any Dissemination Agent (if not the District) may resign by providing 30 days' written notice to the District.

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 that 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. **Notices.** Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Plumas Unified School District
1446 East Main Street
Quincy, California 95971
Fax: (530) 283-6530

To the Participating Underwriter: Hilltop Securities Inc.
2533 South Coast Hwy 101, Suite 250
Cardiff By The Sea, California 92007

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2019

PLUMAS UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

Designation as Dissemination Agent Accepted:

CAPITOL PUBLIC FINANCE GROUP, LLC

By: _____
Its Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Plumas Unified School District

Name of Bond Issue: \$_____ Plumas Unified School District (Plumas County, California) General Obligation Bonds, Election of 2016, Series B

Date of Issuance: February __, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 3.02 of the resolution adopted by the Board of Education of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: [Form only] _____

PLUMAS UNIFIED SCHOOL DISTRICT

By: [Form Only – no signature required] _____
Authorized Officer

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 between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District, the Underwriter nor the Paying Agent takes any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, 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 and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except if use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to

Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from 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 prepayment 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. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Paying Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Paying Agent's DTC account.

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

11. 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.

12. 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.

APPENDIX G

**PLUMAS COUNTY INVESTMENT POLICY
AND MONTHLY INVESTMENT REPORT**

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THE PLUMAS COUNTY TREASURER'S OFFICE

INVESTMENT POLICY AND GUIDELINES

Approved by Board of Supervisors December 6, 2016

I. POLICY

Plumas County (County) shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment.

II. SCOPE

This policy applies to the investment of short-term operating funds. Longer-term funds, including investments of employees' investment retirement funds and proceeds from certain bond issues, are covered by a separate policy.

III. PRUDENCE

The County Treasurer is a trustee and therefore a fiduciary subject to the "prudent investor" standard. The "prudent investor" standard states that, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

IV. OBJECTIVES

The Treasurer's primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §27000.5 and 53600.5:

1. Safety – Safety of principal is the foremost objective of Plumas County.
2. Liquidity – The County's portfolio will remain sufficiently liquid to enable the County to meet its cash flow requirements. An adequate percentage of the portfolio should be maintained in liquid short-term securities which can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets is highly recommended.
3. Return – The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.

V. DELEGATION OF AUTHORITY

The management responsibility for the County's investment program is hereby delegated to the County Treasurer in accordance with California Government Code Section 27000.1. The Treasurer may delegate investment decision making and execution authority to an investment advisor. The advisor will follow the Investment Policy and such other written instructions as are provided.

VI. INVESTMENT PROCEDURES

The County Treasurer will establish investment procedures for the operation of the County's investment program.

Whenever practical, cash will be consolidated into one bank account and invested on a pooled concept basis. Interest earnings shall be allocated according to fund cash and investment balances on a quarterly basis

Calculations for the Treasurer's administrative fee for costs of investing, depositing, banking, auditing, reporting, or otherwise handling or managing funds, as authorized in Section 27013 of the Government Code, are based upon actual costs and are subtracted from interest earnings on a quarterly basis prior to distribution of interest earnings to all funds.

VII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process will refrain from personal business activities that could conflict with proper execution of the investment program, or which could impair their ability to make impartial decisions.

Plumas County Board of Supervisors adopted Resolution No. 92-5423 on December 15, 1992 which established a Conflict of Interest code for Plumas County. The Code states that Subsection 18730(b) of Title 2 of the California Administrative Code are the limits set forth by Plumas County.

The limits set forth in the California Administrative Code are the limits set forth by Plumas County.

In addition, the Board of Supervisors have adopted Rule 22 of the Personnel Rules, entitled "Code of Conduct" which further establishes limitations on the receipt of honoraria, gifts, and gratuities.

VIII TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

Any local agency and other entity not required to deposit funds in the County Treasury may do so for investment purposes according to the terms set forth in section 53684 of the Government Code. In addition, the local agency or other entity must enter into a

contract with the County Treasurer stating the minimum amount to be deposited, the term of the deposit and anticipated cash-flow projection for deposits and withdrawals, agreement to share in the administrative costs as allowed under Section 27013 of the Government Code, and any other deposit terms required of the treasurer.

Before approving any request to withdraw funds, the County Treasurer shall evaluate the request as per Government Code Section 27136 and 27133 (h). The evaluation will be based upon the following criteria:

- (a) legality
- (b) size of request and effect on liquidity of the pool
- (c) effect on earnings rate of the balance of funds in the pool
- (d) assessment of the stability and predictability of the investments in the treasury.

In addition, requests for withdrawal of funds will be at the lower of adjusted cost or market value of the pool at the time of withdrawal—or—to the last available report reflecting market values as of month end.

VIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The County Treasurer will maintain a list of approved financial institutions authorized to provide investment services to the County in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). A determination should be made to insure that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the County. The firms, and individuals covering the agency, should be knowledgeable and experienced in County investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and broker/dealers who desire to conduct investment transactions with the County must supply the Treasurer with the following: audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, completed broker/dealer questionnaire, certification of having read the County’s investment policy and depository contracts. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the County invests.

If the County has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the County. The advisor will perform all due diligence for the broker/dealers on its approved list.

The selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G37 of the Municipal Securities

Rulemaking Board, to the Plumas County Treasurer, any member of the Plumas County Board of Supervisors, or any candidate for those offices, shall be prohibited.

Purchase and sale of securities will be made on the basis of competitive bids and offers with a minimum of three quotes being obtained.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

Where this section specifies a percentage limitation for a particular security type, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the County Treasurer's investment advisor shall evaluate the quality of that security and provide the Treasurer with a recommended plan of action.

The County will limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

1. **U.S. Treasury** notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
2. **Federal agency or United States government-sponsored enterprise obligations**, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. This will include any mortgage pass through security issued and guaranteed by a Federal Agency with a maximum final maturity of five years. Purchase of Federal Agency issued mortgage-backed securities authorized by this subdivision may not exceed 50% of the County's investment portfolio; all other investments in Federal Agency securities are unrestricted.
3. **Obligations of the State of California or any local agency within the state**, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency.
4. **Registered treasury notes or bonds of any of the other 49 states in addition to California**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states.
5. **Bankers' Acceptances** otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days' maturity or 40% of the County's portfolio that may be invested pursuant to this section.

- 6. Repurchase Agreements.** The County may invest in overnight and term repurchase agreements with Primary Dealers of the Federal Reserve Bank of New York rated "A" or better by an NRSRO with which the County has entered into a Master Repurchase Agreement. This agreement will be modeled after the Public Securities Associations Master Repurchase Agreement. The maximum maturity will be restricted to 90 days. Purchases of repurchase agreements shall not exceed 20 percent of the portfolio.

All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of Plumas County. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis and will not be permitted to fall below a minimum of 102 percent of the value of the repurchase agreement. Collateral shall not have maturities in excess of 5 years. The right of substitution will be granted, provided that permissible collateral is maintained.

In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government and Agency securities as permitted under this policy. The County will maintain a first perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency, or other default of the counter party.

- 7. Commercial Paper** of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper must meet all of the following conditions in either paragraph a or paragraph b:
- a.** The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.
 - b.** The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

Eligible commercial paper will have a maximum maturity of 270 days or less. No more than 40% of the County's portfolio may be invested in commercial paper.

- 8. Non-negotiable Certificates of Deposit** (time CDs) in a state or national bank, savings association or federal association, or federal or state credit union with a branch in the State of California. In accordance with California Government Code

Section 53635.2, to be eligible to receive County deposits, a financial institution will have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California’s communities. Time CDs are required to be collateralized as specified under Government Code Section 53630 et seq. The County, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The County will have a signed agreement with any depository accepting County funds per Government Code Section 53649. No deposits will be made at any time in time CDs issued by a state or federal credit union if a member of the Plumas County Board of Supervisors or County Treasurer serves on the board of directors or any committee appointed by the board of directors of the credit union. In accordance with Government Code Section 53638, any deposit will not exceed that total shareholder’s equity of any depository bank, nor will the deposit exceed the total net worth of any institution. No more than 20% of the County’s portfolio may be invested in non-negotiable CDs.

9. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. No more than 30% of the County’s portfolio may be invested in negotiable CDs.

10. Medium-Term Notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Notes eligible for investment under this subdivision shall be rated “A” or its equivalent or better by a NRSRO. No more than 30% of the County’s portfolio may be invested in medium-term notes.

11. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either: (i) attain the highest ranking letter or numerical rating provided by at least two NRSROs or (ii) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000. No more than 20% of the County’s investment portfolio may be invested in money market funds.

12. State of California’s Local Agency Investment Fund (LAIF) an investment pool run by the State Treasurer. The County can invest up to the maximum amount permitted by the State Treasurer.

13. Shares of beneficial interest issued by a joint powers authority (Local Government Investment Pools) organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q) of California Government Code Section 53601, inclusive. Each share will represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

- a. The adviser is registered or exempt from registration with the Securities and Exchange Commission.
- b. The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q) Government Code Section 53601, inclusive.
- c. The adviser has assets under management in excess of five hundred million dollars (\$500,000,000).

14. Asset-Backed Securities (ABS) A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. No more than 20% of the County's investment portfolio may be invested pursuant to this section.

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

X. INVESTMENT POOLS/MONEY MARKET FUNDS

A thorough investigation of investment pools and money market funds is required prior to investing, and on a continual basis.

XI. MAXIMUM MATURITY

Maturities will be based on an analysis of the receipt of revenues and maturity of investments. Maturities will be scheduled to permit the County to meet all disbursement requirements.

The County may not invest in a security whose maturity exceeds five years from the date of purchase unless the Plumas County Board of Supervisors has provided approval for a specific purpose at least 90 days before the investment is made.

XII. PROHIBITED INVESTMENTS

Investments not described herein, including, but not limited to, reverse repurchase agreements, stocks, inverse floaters, range notes, commercial mortgage-backed, interest-only strips, or any security that could result in zero interest accrual if held to maturity are prohibited for investment by the County.

XIII. INTERNAL CONTROL

The County Treasurer will establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

XIV. TREASURY OVERSIGHT COMMITTEE - DISCONTINUED

From 1995 to January 1, 2005, the California Government Code required counties and cities to establish a Treasury Oversight Committee. The purpose of the Committee was to oversee the policies that guide the investment of public funds. The Committee was not to impinge on the day to day operations of the County Treasurer, but rather to review and monitor the Treasurer's investment policy and reporting. In 2005, California Government Code section 27131 made the Committees optional. Plumas County discontinued the operation of its Committee as of February 6, 2007. The Plumas County Treasurer continues to provide reporting to the Plumas County Board of Supervisors, the auditor, school districts, and the community college district. The County's portfolio is also independently audited by an external auditor for compliance with the California Government Code and this Investment Policy.

XV. CUSTODY OF SECURITIES

All securities owned by the County except time deposits and securities used as collateral for repurchase agreements, will be kept in safekeeping by a third-party bank's trust department, acting as an agent for the County under the terms of a custody agreement executed by the bank and the County.

All securities will be received and delivered using standard delivery versus payment procedures.

XVI. REPORTING

The County Treasurer will provide a monthly investment report to the Plumas County Board of Supervisors, the auditor, school districts, and the community college district showing all transactions, type of investment, issuer, purchase date, maturity date, purchase price, yield to maturity, and current market value for all securities.

XVII. POLICY REVIEW

This Investment Policy will be reviewed at least annually to ensure its consistency with:

1. The California Government Code sections that regulate the investment and reporting of public funds.
2. The overall objectives of preservation of principal, sufficient liquidity, and a market return.

Any changes to the Policy must be reviewed and approved by the Board at a public meeting

Glossary

Asset-Backed Security (ABS) is a financial security backed by a loan, lease or receivables against assets other than real estate and mortgage-backed securities.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

Certificates Of Deposit

1. **Negotiable Certificates of Deposit** are large-denomination CDs. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.
2. **Non-negotiable Certificates of Deposit** are time deposits with financial institutions that earn interest at a specified rate for a specified term. Liquidation of the CD prior to maturity incurs a penalty. There is no secondary market for these instruments, therefore, they are not liquid. They are classified as public deposits, and financial institutions are required to collateralize them. Collateral may be waived for the portion of the deposits that are covered by FDIC insurance.

Collateral refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Collateralized Mortgage Obligation (CMO) is a type of mortgage-backed security in which principal repayments are organized according to their maturities and into different classes based on risk. A collateralized mortgage obligation is a special purpose entity that receives the mortgage repayments and owns the mortgages it receives cash flows

from (called a pool). The mortgages serve as collateral, and are organized into classes based on their risk profile. Income received from the mortgages is passed to investors based on a predetermined set of rules, and investors receive money based on the specific slice of mortgages invested in (called a tranche).

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is \$5,000, in multiples of \$1,000 above that, with a maximum of \$50 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or

without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must strive to maintain a stable net asset value (NAV) of \$1 per share.

Mortgage Backed Security (MBS). A type of asset-backed security that is secured by a mortgage or collection of mortgages. These securities must also be grouped in one of the top two ratings as determined by an accredited credit rating agency, and usually pay periodic payments that are similar to coupon payments. Furthermore, the mortgage must have originated from a regulated and authorized financial institution.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

Supranational is an international organization, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

PLUMAS COUNTY TREASURER'S
INVESTMENT REPORT
FOR THE MONTH OF DECEMBER, 2018

This report is filed in accordance with Section 53646 of the State of California Government Code and includes all information required by that section and all information required by the Plumas County Board of Supervisors. The source of the current market valuation is provided by PFM, Inc.

The portfolio is in compliance with the statement of investment policy on file in the Plumas County Treasurer's Office and with the Plumas County Clerk of the Board.

The portfolio has sufficient liquidity to meet the pool's customary expenditure requirements for the next six months based upon prior performances of cash flow.

Dated: 1/16/19

A handwritten signature in blue ink, reading "Julie A. White", is written over a horizontal line.

Julie A. White
Plumas County Treasurer-Tax Collector

**PLUMAS COUNTY
INVESTMENT REPORT 12/31
PORTFOLIO SUMMARY**

Investments		Par Value		Market Value		Book Value		% of Portfolio
Treasury Coupon Securities	\$	10,925,000.00	\$	10,670,322.02	\$	10,741,177.34		10.50%
Federal Agency Coupon Securities	\$	615,000.00	\$	632,217.32	\$	628,444.81		0.61%
Federal Agency CMO	\$	434,701.79	\$	437,682.68	\$	437,925.19		0.43%
Supranationals	\$	1,570,000.00	\$	1,558,337.37	\$	1,550,471.72		1.52%
Municipal Obligations	\$	-	\$	-	\$	-		0.00%
Certificates of Deposit	\$	5,715,000.00	\$	5,693,537.98	\$	5,714,172.50		5.59%
Corporate Bonds	\$	9,850,000.00	\$	9,755,196.17	\$	9,909,559.57		9.69%
Commercial Paper	\$	-	\$	-	\$	-		0.00%
Asset-Backed Securities	\$	3,900,000.00	\$	3,889,792.59	\$	3,892,731.09		3.81%
LAIF	\$	15,825,283.61	\$	15,825,283.61	\$	15,825,283.61		15.47%
CAMP	\$	46,289,131.28	\$	46,289,131.28	\$	46,289,131.28		45.26%
Plumas Bank Analysis	\$	4,234,552.55	\$	4,234,552.55	\$	4,234,552.55		4.14%
UMPQUA	\$	3,055,748.83	\$	3,055,748.83	\$	3,055,748.83		2.99%
Total Portfolio	\$	102,414,418.06	\$	102,041,802.40	\$	102,279,198.49		100%

102,304,016.13 +
21,342.51 -
3,475.13 -
102,279,198.49 G+

PLUMAS COUNTY
AMORTIZATION SCHEDULE
December 1, 2018 - December 31, 2018

Issuer	CUSIP	Maturity Date Amortization Date	Beginning Par Value Current Rate	Purchase Principal	Original Premium Or Discount	Ending Book Value 12/31/2018	Amounts Amortized and Unamortized as of 11/30/2018	Amount Amortized This Period	Amount Amortized Through 12/31/2018	Amount Unamortized Through 12/31/2018
FNMA	3135G0T29	2/28/2020	30,000.00 2.50	29,980.80	19.20	29,992.49 ✓	11.15 -8.05	0.54 ✓	11.69	-7.51
FHLB	313383YJ4	9/8/2023	200,000.00 2.69	204,648.00	-4,648.00	204,600.71 ✓	0.00 0.00	-47.29 ✓	-47.29	4,600.71
FHLB	313383YJ4	9/8/2023	385,000.00 2.69	393,947.40	-8,947.40	393,851.61 ✓	0.00 0.00	-95.79 ✓	-95.79	8,851.61
Credit Agricole NY	22532XHT8	4/10/2020	300,000.00 2.90	300,000.00	0.00	300,000.00 ✓	0.00 0.00	0.00 ✓	0.00	0.00
Canadian Imperial Bank NY	13606BF0	4/10/2020	330,000.00 2.70	330,000.00	0.00	330,000.00	0.00 0.00	0.00	0.00	0.00
Skandinaviska Enskilda NY	63050FXT3	8/2/2019	675,000.00 2.72	674,736.75	263.25	674,922.98 ✓	175.02 -88.23	11.21 ✓	186.23	-77.02
FNMA	3136AQS0W1	1/1/2019	3,564.92 3.14	3,600.57	-35.65	3,564.92 ✓	-35.65 0.00	0.00	-35.65 ✓	0.00
FNMA	3136ANA98	3/1/2019	14,918.01 2.51	14,913.69	4.32	14,918.01 ✓	4.32 0.00	0.00	4.32 ✓	0.00
FNMA	3136AQDQ0	9/1/2019	21,424.85 2.55	21,539.40	-214.55	21,438.78 ✓	-195.90 18.65	-4.72	-200.62 ✓	13.93
FHLMC	3137BHU39	1/1/2020	1,199.34 4.39	1,257.43	-58.09	1,210.84 ✓	-45.61 12.48	-0.98	-46.59 ✓	11.50
FNMA	3136AP3Z3	4/1/2020	35,165.55 2.51	35,152.89	12.66	35,165.55 ✓	12.66 0.00	0.00	12.66 ✓	0.00
FNMA	3136B1XP4	9/25/2021	198,429.12 2.58	202,376.07	-3,946.95	201,627.09 ✓	-643.52 3,303.43	-105.46	-748.98 ✓	3,197.97
FHLMC	3137FKK39	7/1/2023	160,000.00 2.85	159,999.52	0.48	160,000.00 ✓	0.00 0.00	0.48 ✓	0.48	0.00
Citigroup Inc	172967KS9	6/7/2019	135,000.00 3.01	134,929.80	70.20	134,989.57 ✓	57.77 -12.43	2.00 ✓	59.77	-10.43
Burlington Northern Santa Fe	12189TBC7	10/1/2019	150,000.00 3.04	165,585.00	-15,585.00	153,592.46 ✓	-11,595.33 3,989.67	-397.21 ✓	-11,992.54	3,592.46
Citigroup Inc	172967LF6	1/10/2020	345,000.00 3.25	344,862.00	138.00	344,951.71 ✓	85.86 -52.14	3.85 ✓	89.71	-48.29
American Express	0258M0EE5	3/3/2020	320,000.00 3.14	319,667.20	332.80	319,867.38 ✓	190.89 -141.91	9.29 ✓	200.18	-132.62
Walt Disney Co	25468PDP8	3/4/2020	110,000.00 2.79	109,971.40	28.60	109,988.56 ✓	16.36 -12.24	0.80 ✓	17.16	-11.44
Unilever Capital Corp	904764AV9	5/5/2020	100,000.00 2.94	99,681.00	319.00	99,854.84 ✓	164.94 -154.06	8.90 ✓	173.84	-145.16
General Dynamics Corp	369550BA5	5/11/2020	195,000.00 2.82	194,309.70	690.30	194,525.93 ✓	187.69 -502.61	28.54 ✓	216.23	-474.07
Home Depot Inc	437076BQ4	6/5/2020	175,000.00 2.83	174,898.50	101.50	174,951.01 ✓	49.69 -51.81	2.82 ✓	52.51	-48.99
JPMorgan Chase	46625HLW8	6/23/2020	180,000.00 3.15	184,444.20	-4,444.20	181,544.07 ✓	-2,809.57 1,634.63	-90.56 ✓	-2,900.13	1,544.07

Wells Fargo	94974BGM6	7/22/2020	550,000.00 3.24	551,470.54	-1,470.54	550,525.00 ✓	-918.14 552.40	-27.40 ✓	-945.54	525.00
State Street	857477AS2	8/18/2020	350,000.00 3.08	356,489.00	-6,489.00	352,449.89 ✓	-3,916.30 2,572.70	-122.81 ✓	-4,039.11	2,449.89
Caterpillar Financial	14913Q2A6	9/4/2020	260,000.00 3.05	259,781.60	218.40	259,876.15 ✓	88.49 -129.91	6.06 ✓	94.55	-123.85
American Honda Finance	02665WAZ4	9/24/2020	700,000.00 3.17	704,200.00	-4,200.00	702,043.06 ✓	-2,060.48 2,139.52	-96.46 ✓	-2,156.94	2,043.06
Paccar Financial	69371RN85	11/13/2020	95,000.00 2.94	94,991.45	8.55	94,994.62 ✓	2.93 -5.62	0.24 ✓	3.17	-5.38
Walmart	931142EA7	12/15/2020	555,000.00 2.73	554,195.25	804.75	554,491.73 ✓	275.23 -529.52	21.25 ✓	296.48	-508.27
International Business Machines	44932HAB9	1/20/2021	350,000.00 3.22	349,275.50	724.50	349,551.17 ✓	257.86 -466.64	17.81 ✓	275.67	-448.83
Caterpillar Financial	14913Q2G3	3/15/2021	130,000.00 2.93	129,929.80	70.20	129,947.82 ✓	16.11 -54.09	1.91 ✓	18.02	-52.18
National Rural Utility Corp.	63743HER9	3/15/2021	140,000.00 3.11	139,844.60	155.40	139,885.38 ✓	36.59 -118.81	4.19 ✓	40.78	-114.62
National Rural Utility Corp.	63743HER9	3/15/2021	100,000.00 3.11	99,577.00	423.00	99,676.95 ✓	88.16 -334.84	11.79 ✓	99.95	-323.05
Toyota Motor Credit Corp	89236TEU5	4/13/2021	135,000.00 2.94	134,946.00	54.00	134,958.49 ✓	11.02 -42.98	1.47 ✓	12.49	-41.51
PepsiCo	713448DX3	4/15/2021	220,000.00 2.91	219,956.00	44.00	219,970.80 ✓	13.76 -30.24	1.04 ✓	14.80	-29.20
Goldman Sachs	38141GVU5	4/25/2021	345,000.00 3.81	346,400.70	-1,400.70	345,934.96 ✓	-431.89 968.81	-33.85 ✓	-465.74	934.96
Bank of New York	06406FAB9	5/3/2021	350,000.00 3.12	349,653.50	346.50	349,832.62 ✓	173.28 -173.22	5.84 ✓	179.12	-167.38
American Express	0258M0EB1	5/5/2021	200,000.00 3.21	199,536.00	464.00	199,773.56 ✓	229.70 -234.30	7.86 ✓	237.56	-226.44
Branch Banking & Trust	05531FAV5	5/10/2021	175,000.00 3.21	174,884.50	115.50	174,944.02 ✓	57.59 -57.91	1.93 ✓	59.52	-55.98
Hershey Company	427866BA5	5/15/2021	145,000.00 2.71	144,899.95	100.05	144,920.89 ✓	18.25 -81.80	2.69 ✓	20.94	-79.11
Morgan Stanley	61747WAL3	7/28/2021	625,000.00 3.53	694,475.00	-69,475.00	667,309.11 ✓	-25,850.48 43,624.52	-1,315.41 ✓	-27,165.89	42,309.11
Bank of America Corp.	06051GGS2	10/1/2021	150,000.00 3.07	150,000.00	0.00	150,000.00 ✓	0.00 0.00	0.00 ✓	0.00	0.00
John Deere Capital	24422ETL3	1/6/2022	235,000.00 3.32	233,963.65	1,036.35	234,337.84 ✓	356.73 -679.62	17.46 ✓	374.19	-662.16
Bank of America Corp.	06051GEM7	1/24/2022	150,000.00 3.62	169,683.00	-19,683.00	163,404.49 ✓	-5,930.06 13,752.94	-348.45 ✓	-6,278.51	13,404.49
Bank of New York Mellon	06406RAA5	2/7/2022	350,000.00 3.20	350,161.00	-161.00	350,103.14 ✓	-55.24 105.76	-2.62 ✓	-57.86	103.14
Unilever Capital Corp	904764BF3	3/7/2022	110,000.00 3.24	109,467.60	532.40	109,513.54 ✓	33.85 -498.55	12.09 ✓	45.94	-486.46
BB&T	05531FAX1	4/1/2022	345,000.00 3.30	347,604.75	-2,604.75	346,721.23 ✓	-840.14 1,764.61	-43.38 ✓	-883.52	1,721.23
Comcast Corp	20030NBD2	7/15/2022	345,000.00 3.20	359,693.55	-14,693.55	355,830.32 ✓	-3,619.05 11,074.50	-244.18 ✓	-3,863.23	10,830.32

Toyota Motor Credit Corp	89236TEC5	9/8/2022	400,000.00 3.38	399,528.00	472.00	399,646.82 ✓	111.16 -360.84	7.66 ✓	118.82	-353.18
Intel	458140AM2	12/15/2022	330,000.00 3.11	323,551.80	6,448.20	323,564.65 ✓	0.00 0.00	12.85 ✓	12.85	-6,435.35
JP Morgan Chase	48128BAB7	1/15/2023	300,000.00 3.64	290,772.00	9,228.00	291,085.79 ✓	139.46 -9,088.54	174.33 ✓	313.79	-8,914.21
U.S. Treasury	912828B90	2/28/2021	170,000.00 2.50	178,314.06	-8,314.06	173,909.29	-4,251.44 4,062.62	-153.33	-4,404.77	3,909.29
U.S. Treasury	912828S76	7/31/2021	485,000.00 2.48	471,946.68	13,053.32	476,581.85 ✓	4,367.62 -8,685.70	267.55 ✓	4,635.17	-8,418.15
U.S. Treasury	912828D72	8/31/2021	200,000.00 2.48	207,507.81	-7,507.81	204,128.29 ✓	-3,248.87 4,258.94	-130.65 ✓	-3,379.52	4,128.29
U.S. Treasury	912828D72	8/31/2021	1,150,000.00 2.48	1,153,414.06	-3,414.06	1,151,963.90 ✓	-1,388.63 2,025.43	-61.53 ✓	-1,450.16	1,963.90
U.S. Treasury	912828T67	10/31/2021	140,000.00 2.48	134,793.75	5,206.25	136,757.03 ✓	1,867.80 -3,338.45	95.48 ✓	1,963.28	-3,242.97
U.S. Treasury	912828T67	10/31/2021	445,000.00 2.48	435,874.02	9,125.98	438,842.56 ✓	2,786.42 -6,339.56	182.12 ✓	2,968.54	-6,157.44
U.S. Treasury	912828T67	10/31/2021	550,000.00 2.48	541,363.28	8,636.72	544,074.56 ✓	2,535.76 -6,100.96	175.52 ✓	2,711.28	-5,925.44
U.S. Treasury	912828H86	1/31/2022	570,000.00 2.47	560,626.17	9,373.83	563,589.07 ✓	2,793.16 -6,580.67	169.74 ✓	2,962.90	-6,410.93
U.S. Treasury	912828W89	3/31/2022	1,355,000.00 2.48	1,362,992.38	-7,992.38	1,360,531.26 ✓	-2,319.97 5,672.41	-141.15 ✓	-2,461.12	5,531.26
U.S. Treasury	912828X47	4/30/2022	200,000.00 2.48	201,492.19	-1,492.19	201,077.74 ✓	-387.46 1,104.73	-26.99 ✓	-414.45	1,077.74
U.S. Treasury	9128282P4	7/31/2022	265,000.00 2.48	263,188.48	1,811.52	263,618.40 ✓	398.69 -1,412.83	31.23 ✓	429.92	-1,381.60
U.S. Treasury	9128282P4	7/31/2022	200,000.00 2.48	197,031.25	2,968.75	197,651.17 ✓	667.02 -2,401.73	52.90 ✓	619.92	-2,348.83
U.S. Treasury	9128282P4	7/31/2022	145,000.00 2.48	140,168.55	4,831.45	140,797.42 ✓	535.17 -4,296.28	93.70 ✓	628.87	-4,202.58
U.S. Treasury	9128282W9	9/30/2022	1,735,000.00 2.49	1,685,999.80	49,000.20	1,693,757.37 ✓	6,863.19 -42,137.01	894.38 ✓	7,757.57	-41,242.63
U.S. Treasury	912828L57	9/30/2022	300,000.00 2.49	293,578.13	6,421.87	294,871.43 ✓	1,181.43 -5,240.44	111.87 ✓	1,293.30	-5,128.57
U.S. Treasury	912828L57	9/30/2022	345,000.00 2.49	331,226.95	13,773.05	332,968.45 ✓	1,481.52 -12,291.53	259.98 ✓	1,741.50	-12,031.55
U.S. Treasury	912828L57	9/30/2022	200,000.00 2.49	192,031.25	7,968.75	193,034.73 ✓	852.97 -7,115.78	150.51 ✓	1,003.48	-6,965.27
U.S. Treasury	912828N30	12/31/2022	465,000.00 2.50	450,795.70	14,204.30	452,049.12 ✓	995.92 -13,208.38	257.50 ✓	1,253.42	-12,950.88
U.S. Treasury	912828N30	12/31/2022	670,000.00 2.50	652,333.98	17,666.02	653,575.93 ✓	912.74 -16,753.28	329.21 ✓	1,241.95	-16,424.07
U.S. Treasury	912828P38	1/31/2023	525,000.00 2.50	499,959.96	25,040.04	500,813.32 ✓	380.96 -24,659.08	472.40 ✓	853.36	-24,186.68
U.S. Treasury	912828Q29	3/31/2023	810,000.00 2.50	765,892.97	44,107.03	768,584.45 ✓	0.00 0.00	691.48 ✓	691.48	-43,415.55
Bank of Tokyo Mitsubishi	06539RGM3	9/25/2019	350,000.00	350,000.00	0.00	350,000.00 ✓	0.00	0.00 ✓	0.00	0.00

Partial sale
1/10/21

			2.97					0.00			
Credit Suisse NY	22549LFR1	2/7/2020	335,000.00 2.83	335,000.00	0.00	335,000.00	0.00	0.00	0.00	0.00	0.00
Nordea Bank Finland NY	65590ASN7	2/20/2020	350,000.00 2.77	350,000.00	0.00	350,000.00	0.00	0.00	0.00	0.00	0.00
UBS	90275DHG8	3/2/2020	565,000.00 2.88	565,000.00	0.00	565,000.00	0.00	0.00	0.00	0.00	0.00
Bank of Nova Scotia Houston	06417GU22	6/5/2020	500,000.00 2.87	499,810.00	190.00	499,862.39	44.51 -145.49	7.88	52.39		-137.61
Westpac Banking Corp NY	96121T4A3	8/3/2020	640,000.00 2.82	640,000.00	0.00	640,000.00	0.00	0.00	0.00	0.00	0.00
Sumitomo Mitsui Bank	86565BPC9	10/16/2020	500,000.00 2.99	499,320.00	680.00	499,387.13	39.54 -640.46	27.59	67.13		-612.87
Swedbank NY	87019U6D6	11/16/2020	620,000.00 3.35	620,000.00	0.00	620,000.00	0.00	0.00	0.00	0.00	0.00
Royal Bank of Canada NY	78012UEE1	6/7/2021	550,000.00 3.23	550,000.00	0.00	550,000.00	0.00	0.00	0.00	0.00	0.00
GM Financial Auto Leasing Trust	36256GAD1	6/20/2021	105,000.00 3.07	104,991.71	8.29	104,992.48	0.53 -7.76	0.24	0.77		-7.52
Honda Auto Receivables Owner Trust	43813FAC7	11/21/2021	195,000.00 2.73	194,972.52	27.48	194,979.75	6.67 -20.81	0.56	7.23		-20.25
Ford Credit Auto Lease Trust	34531LAD2	12/15/2021	145,000.00 2.91	144,987.75	12.25	144,988.78	0.73 -11.52	0.30	1.03		-11.22
Honda Auto Receivables Owner Trust	43814UAC3	2/15/2022	290,000.00 3.02	289,962.50	37.50	289,970.07	6.81 -30.89	0.76	7.57		-29.93
BMW Vehicle Lease Trust	05586CAD6	3/20/2022	125,000.00 2.97	124,998.89	1.11	124,999.00	0.08 -1.03	0.03	0.11		-1.00
John Deere Owner Trust	47788CAC6	4/15/2022	80,000.00 2.89	79,994.25	5.75	79,995.32	0.98 -4.77	0.09	1.07		-4.68
Nissan Auto Receivables Owner Trust	65478HAD0	4/15/2022	100,000.00 3.34	99,983.09	16.91	99,988.38	4.83 -12.08	0.46	5.29		-11.62
Nissan Auto Receivables Owner Trust	65478DAD9	5/15/2022	175,000.00 2.93	174,980.00	20.00	174,983.81	3.43 -16.57	0.38	3.81		-16.19
Honda Auto Receivables Owner Trust	43814UAG4	5/18/2022	150,000.00 2.95	149,996.73	3.27	149,997.27	0.48 -2.79	0.06	0.54		-2.73
Hyundai Auto Receivables	44891KAD7	7/15/2022	110,000.00 2.84	109,983.43	16.57	109,986.08	2.33 -14.24	0.32	2.65		-13.92
Toyota Motor Corp	89238TAD5	9/15/2022	285,000.00 2.95	284,995.75	4.25	284,996.37	0.54 -3.71	0.08	0.62		-3.63
American Express	02582JHQ6	10/17/2022	285,000.00 2.88	284,966.91	33.09	284,972.35	4.86 -28.23	0.58	5.44		-27.65
Ally Auto Receivables Trust	02004VAC7	11/15/2022	340,000.00 3.01	339,938.26	61.74	339,946.78	7.43 -54.31	1.09	8.52		-53.22
Mercedes-Benz Auto Receivables	58772RAD6	1/15/2023	165,000.00 2.94	164,993.66	6.34	164,994.33	0.56 -5.78	0.11	0.67		-5.67
Ally Auto Receivables Trust	02007JAC1	1/15/2023	350,000.00 3.04	349,976.06	23.94	349,978.74	2.26 -21.68	0.42	2.68		-21.26
Citigroup Inc	17305EGK5	1/20/2023	670,000.00 2.89	662,593.36	7,406.64	663,017.17	324.48 -7,082.16	99.33	423.81		-6,982.83

GM Financial Securitized Term	36255JAD6	5/16/2023	165,000.00 2.86	164,961.52	38.48	164,964.98 /	2.82 -35.66	0.64 /	3.46	-35.02
Carmax Auto Owner Trust	14313FAD1	6/15/2023	165,000.00 2.98	164,977.51	22.49	164,979.43 /	1.55 -20.94	0.37 /	1.92	-20.57
International Finance Corporation	45950VLQ7	3/9/2021	335,000.00 2.69	334,748.75	251.25	334,812.83 /	57.17 -194.08	6.91 /	64.08	-187.17
International Bank of Reconstruction and Develc	459058GH0	7/23/2021	485,000.00 2.58	483,865.10	1,134.90	484,023.24 /	127.73 -1,007.17	30.41 /	158.14	-976.76
Inter-American Development Bank	4581X0CZ9	8/14/2022	335,000.00 2.68	320,347.10	14,652.90	322,962.98 /	2,358.86 -12,294.04	257.02 /	2,615.88	-12,037.02
Inter-American Development Bank	4581X0DA3	1/18/2023	415,000.00 2.66	407,832.95	7,167.05	408,672.67 /	717.59 -6,449.46	122.13 /	839.72	-6,327.33
			<u>33,009,701.79</u>	<u>32,908,242.28</u>		<u>32,874,482.22</u>				

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 61.53 +
 95.48 +
 182.12 +
 175.52 +
 169.74 +
 141.15 -
 26.99 -
 31.23 +
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 6.91 +
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 257.02 +
 122.13 +
 929.64 G+

929.64 +
 4,404.77 -
 -3,475.13 G+

PLUMAS COUNTY
INVESTMENT REPORT December 31, 2018
PORTFOLIO DETAILS

CUSIP	Issuer	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Yield At Market	Maturity Date	S&P Rating	Moody's Rating
U.S. Treasury Notes and Bonds										
912828B90	U.S. Treasury	7/8/2016	170,000.00	168,233.53	173,909.29	2.000	2.496%	2/28/2021	AA+	Aaa
912828S76	U.S. Treasury	7/11/2017	485,000.00	468,612.34	476,581.85	1.125	2.483%	7/31/2021	AA+	Aaa
912828D72	U.S. Treasury	10/5/2016	200,000.00	197,515.60	204,128.29	2.000	2.484%	8/31/2021	AA+	Aaa
912828D72	U.S. Treasury	12/5/2016	1,150,000.00	1,135,714.70	1,151,963.90	2.000	2.484%	8/31/2021	AA+	Aaa
912828T67	U.S. Treasury	3/16/2017	140,000.00	135,329.74	136,757.03	1.250	2.477%	10/31/2021	AA+	Aaa
912828T67	U.S. Treasury	8/3/2017	445,000.00	430,155.25	438,842.56	1.250	2.477%	10/31/2021	AA+	Aaa
912828T67	U.S. Treasury	8/31/2017	550,000.00	531,652.55	544,074.56	1.250	2.477%	10/31/2021	AA+	Aaa
912828H86	U.S. Treasury	7/7/2017	570,000.00	553,723.65	563,589.07	1.500	2.467%	1/31/2022	AA+	Aaa
912828W89	U.S. Treasury	6/28/2017	1,355,000.00	1,329,593.75	1,360,531.26	1.875	2.479%	3/31/2022	AA+	Aaa
912828X47	U.S. Treasury	8/31/2017	200,000.00	196,171.80	201,077.74	1.875	2.477%	4/30/2022	AA+	Aaa
9128282P4	U.S. Treasury	11/3/2017	265,000.00	259,503.37	263,618.40	1.875	2.483%	7/31/2022	AA+	Aaa
9128282P4	U.S. Treasury	1/4/2018	200,000.00	195,851.60	197,651.17	1.875	2.483%	7/31/2022	AA+	Aaa
9128282P4	U.S. Treasury	6/8/2018	145,000.00	141,992.41	140,797.42	1.875	2.483%	7/31/2022	AA+	Aaa
9128282W9	U.S. Treasury	4/4/2018	1,735,000.00	1,697,249.87	1,693,757.37	1.875	2.486%	9/30/2022	AA+	Aaa
912828L57	U.S. Treasury	1/4/2018	300,000.00	292,078.20	294,871.43	1.750	2.492%	9/30/2022	AA+	Aaa
912828L57	U.S. Treasury	6/6/2018	345,000.00	335,889.93	332,968.45	1.750	2.492%	9/30/2022	AA+	Aaa
912828L57	U.S. Treasury	6/7/2018	200,000.00	194,718.80	193,034.73	1.750	2.492%	9/30/2022	AA+	Aaa
912828N30	U.S. Treasury	8/3/2018	465,000.00	458,442.57	452,049.12	2.125	2.498%	12/31/2022	AA+	Aaa
912828N30	U.S. Treasury	9/6/2018	670,000.00	660,551.66	653,575.93	2.125	2.498%	12/31/2022	AA+	Aaa
912828P38	U.S. Treasury	11/6/2018	525,000.00	509,803.88	500,813.32	1.750	2.500%	1/31/2023	AA+	Aaa
912828Q29	U.S. Treasury	12/6/2018	810,000.00	777,536.82	766,584.45	1.500	2.500%	3/31/2023	AA+	Aaa
Federal Agency Coupon Securities										
3135G0T29	FNMA	2/28/2017	30,000.00	29,658.54	29,992.49	1.500	2.500%	2/28/2020	AA+	Aaa
313383YJ4	FHLB	12/12/2018	200,000.00	206,003.00	204,600.71	3.375	2.688%	9/8/2023	AA+	Aaa
313383YJ4	FHLB	12/11/2018	385,000.00	396,555.78	393,851.61	3.375	2.688%	9/8/2023	AA+	Aaa
Federal Agency CMO										
3136AQS71	FNMA	11/30/2015	3,564.92	3,557.47	3,564.92	1.898	3.136%	1/1/2019	AA+	Aaa
3136ANA98	FNMA	6/30/2015	14,918.01	14,893.38	14,918.01	2.532	2.510%	3/1/2019	AA+	Aaa
3136AQDQ0	FNMA	10/30/2015	21,424.85	21,295.04	21,438.78	1.646	2.549%	9/1/2019	AA+	Aaa
3137BHU39	FHLMC	6/11/2015	1,199.34	1,197.93	1,210.84	4.500	4.394%	1/1/2020	AA+	Aaa
3136AP3Z3	FNMA	9/30/2015	35,165.55	35,130.98	35,165.55	2.622	2.511%	4/1/2020	AA+	Aaa
3136B1XP4	FNMA	4/30/2018	198,429.12	200,657.86	201,627.09	3.560	2.579%	9/25/2021	AA+	Aaa
3137FKK39	FHLMC	12/17/2018	160,000.00	160,950.02	160,000.00	3.203	2.847%	7/1/2023	AA+	Aaa
Supranationals										
45950VLQ7	International Finance Corporation	3/16/2018	335,000.00	334,620.45	334,812.83	2.635	2.688%	3/9/2021	AAA	Aaa
459058GH0	International Bank of Reconstruction and Develk	7/25/2018	485,000.00	486,972.50	484,023.24	2.750	2.584%	7/23/2021	AAA	Aaa
4581X0CZ9	Inter-American Development Bank	2/23/2018	335,000.00	324,324.89	322,962.98	1.750	2.659%	9/14/2022	AAA	Aaa
4581X0DA3	Inter-American Development Bank	6/6/2018	415,000.00	412,419.53	408,672.67	2.500	2.663%	1/18/2023	AAA	Aaa
Negotiable CDs										
22532XHT8	Credit Agricole NY	4/10/2018	300,000.00	300,075.00	300,000.00	2.884	2.902%	4/10/2020	A+	A1
13606BVF0	Canadian Imperial Bank NY	4/10/2018	330,000.00	330,613.14	330,000.00	2.814	2.702%	4/10/2020	A+	Aa2
83050FXT3	Skandinaviska Enskilda NY	8/4/2017	675,000.00	671,228.78	674,922.98	1.840	2.724%	8/2/2019	A-1	P-1
06539RGM3	Bank of Tokyo Mitsubishi	9/27/2017	350,000.00	347,558.05	350,000.00	2.070	2.968%	9/25/2019	A-1	P-1
22549LFR1	Credit Suisse NY	2/8/2018	335,000.00	334,426.82	335,000.00	2.670	2.827%	2/7/2020	A	A1

65590ASN7	Nordea Bank Finland NY	2/22/2018	350,000.00	349,787.20	350,000.00	2.720	2.773%	2/20/2020	AA-	Aa3
90275DHG8	UBS	3/6/2018	565,000.00	565,319.79	565,000.00	2.900	2.876%	3/2/2020	A+	Aa2
06417GU22	Bank of Nova Scotia Houston	6/7/2018	500,000.00	501,462.00	499,862.39	3.080	2.869%	6/5/2020	A+	Aa2
96121TA3	Westpac Banking Corp NY	8/7/2017	640,000.00	631,319.04	640,000.00	2.050	2.817%	8/3/2020	AA-	Aa3
86565BPC9	Sumitomo Mitsui Bank	10/18/2018	500,000.00	503,448.50	499,387.13	3.390	2.990%	10/16/2020	A	A1
87019U6D6	Swedbank NY	11/17/2017	620,000.00	608,243.56	620,000.00	2.270	3.353%	11/16/2020	AA-	Aa2
78012UEE1	Royal Bank of Canada NY	6/8/2018	550,000.00	550,056.10	550,000.00	3.240	3.235%	6/7/2021	AA-	Aa2

Corporate Notes

172967KS9	Citigroup Inc	6/9/2016	135,000.00	134,430.84	134,989.57	2.050	3.012%	6/7/2019	BBB+	Baa1
12189TBC7	Burlington Northern Santa Fe	6/8/2016	150,000.00	151,828.20	153,592.46	4.700	3.038%	10/1/2019	A+	A3
172967LF6	Citigroup Inc	1/10/2017	345,000.00	342,229.65	344,951.71	2.450	3.252%	1/10/2020	BBB+	Baa1
0258M0EE5	American Express	3/3/2017	320,000.00	316,559.68	319,867.38	2.200	3.140%	3/3/2020	A-	A2
25468PDP8	Walt Disney Co	3/6/2017	110,000.00	108,934.98	109,988.56	1.950	2.792%	3/4/2020	A+	A2
904764AV9	Unilever Capital Corp	5/5/2017	100,000.00	98,511.80	99,854.84	1.800	2.936%	5/5/2020	A+	A1
369550BA5	General Dynamics Corp	5/11/2018	195,000.00	195,133.97	194,525.93	2.875	2.822%	5/11/2020	A+	A2
437076BQ4	Home Depot Inc	6/5/2017	175,000.00	172,495.93	174,951.01	1.800	2.829%	6/5/2020	A	A2
46625HLW8	JPMorgan Chase	4/4/2016	180,000.00	178,968.24	181,544.07	2.750	3.150%	6/23/2020	A-	A2
94974BGM6	Wells Fargo	1/8/2016	550,000.00	544,668.85	550,525.00	2.600	3.242%	7/22/2020	A-	A2
857477AS2	State Street	3/7/2016	350,000.00	347,061.40	352,449.89	2.550	3.081%	8/18/2020	A	A1
14913Q2A6	Caterpillar Financial	9/7/2017	260,000.00	254,936.50	259,876.15	1.850	3.051%	9/4/2020	A	A3
02665WAZ4	American Honda Finance	2/3/2017	700,000.00	691,605.60	702,043.06	2.450	3.166%	9/24/2020	A+	A2
69371RN85	Paccar Financial	11/13/2017	95,000.00	93,466.51	94,994.62	2.050	2.944%	11/13/2020	A+	A1
931142EA7	Walmart	10/20/2017	555,000.00	546,293.16	554,491.73	1.900	2.729%	12/15/2020	AA	Aa2
44932HAB9	International Business Machines	9/8/2017	350,000.00	340,187.05	349,551.17	1.800	3.222%	1/20/2021	A	A1
14913Q2G3	Caterpillar Financial	3/15/2018	130,000.00	129,907.57	129,907.57	2.900	2.932%	3/15/2021	A	A3
63743HER9	National Rural Utility Corp.	2/26/2018	140,000.00	139,362.58	139,885.38	2.900	3.114%	3/15/2021	A	A2
63743HER9	National Rural Utility Corp.	4/19/2018	100,000.00	99,544.70	99,676.95	2.900	3.114%	3/15/2021	A	A2
89236TEU5	Toyota Motor Credit Corp	4/13/2018	135,000.00	135,020.25	134,958.49	2.950	2.942%	4/13/2021	AA-	Aa3
713448DX3	PepsiCo	10/10/2017	220,000.00	215,617.82	219,970.80	2.000	2.905%	4/15/2021	A+	A1
38141GVU5	Goldman Sachs	10/31/2017	345,000.00	336,015.17	345,934.96	2.625	3.809%	4/25/2021	BBB+	A3
06406FAB9	Bank of New York	5/23/2016	350,000.00	341,608.75	349,832.62	2.050	3.120%	5/3/2021	A	A1
0258M0EB1	American Express	5/31/2016	200,000.00	195,714.60	199,773.56	2.250	3.205%	5/5/2021	A-	A2
05531FAV5	Branch Banking & Trust	5/16/2016	175,000.00	170,402.75	174,944.02	2.050	3.215%	5/10/2021	A-	A2
427866BA5	Hershey Company	5/10/2018	145,000.00	146,283.69	144,920.89	3.100	2.711%	5/15/2021	A	A1
61747WAL3	Morgan Stanley	3/29/2017	625,000.00	625,309.63	667,309.11	5.500	3.533%	7/28/2021	BBB+	A3
06051GGS2	Bank of America Corp.	9/18/2017	150,000.00	147,072.15	150,000.00	2.328	3.073%	10/1/2021	A-	A3
24422ETL3	John Deere Capital	3/15/2017	235,000.00	230,505.86	234,337.84	2.650	3.322%	1/6/2022	A	A2
06051GEM7	Bank of America Corp.	6/22/2017	150,000.00	158,980.95	163,404.49	5.700	3.617%	1/24/2022	A-	A3
06406RAA5	Bank of New York Mellon	2/10/2017	350,000.00	343,804.65	350,103.14	2.600	3.204%	2/7/2022	A	A1
904764BF3	Unilever Capital Corp	9/7/2018	110,000.00	109,189.96	109,513.54	3.000	3.244%	3/7/2022	A+	A1
05531FAX1	BB&T	4/6/2017	345,000.00	339,155.36	346,721.23	2.750	3.303%	4/1/2022	A-	A2
20030NBD2	Comcast Corp	9/1/2017	345,000.00	344,087.82	355,830.32	3.125	3.204%	7/15/2022	A-	A3
89236TEC5	Toyota Motor Credit Corp	9/12/2017	400,000.00	383,086.40	399,646.82	2.150	3.379%	9/8/2022	AA-	Aa3
458140AM2	Intel	12/28/2018	330,000.00	325,038.45	323,564.65	2.700	3.107%	12/15/2022	A+	A1
48128BAB7	JP Morgan Chase	11/7/2018	300,000.00	292,493.70	291,085.79	2.972	3.644%	1/15/2023	A-	A2

Asset-Backed Securities

36256GAD1	GM Financial Auto Leasing Trust	9/26/2018	105,000.00	105,150.07	104,992.48	3.180	3.065%	6/20/2021	AAA	Aaa
43813FAC7	Honda Auto Receivables Owner Trust	11/29/2017	195,000.00	193,070.14	194,979.75	2.050	2.734%	11/21/2021	NR	Aaa
34531LAD2	Ford Credit Auto Lease Trust	9/21/2018	145,000.00	145,599.53	144,988.78	3.190	2.910%	12/15/2021	NR	Aaa
43814UAC3	Honda Auto Receivables Owner Trust	2/28/2018	290,000.00	288,275.52	289,970.07	2.640	3.023%	2/15/2022	AAA	Aaa
05586CAD6	BMW Vehicle Lease Trust	10/17/2018	125,000.00	125,782.13	124,999.00	3.360	2.971%	3/20/2022	AAA	Aaa
47788CAC6	John Deere Owner Trust	2/28/2018	80,000.00	79,740.91	79,995.32	2.660	2.893%	4/15/2022	NR	Aaa
65478HAD0	Nissan Auto Receivables Owner Trust	12/13/2017	100,000.00	98,752.80	99,988.38	2.120	3.341%	4/15/2022	NR	Aaa
65478DAD9	Nissan Auto Receivables Owner Trust	2/28/2018	175,000.00	174,166.91	174,983.81	2.650	2.935%	5/15/2022	AAA	Aaa
43814UAG4	Honda Auto Receivables Owner Trust	5/30/2018	150,000.00	150,149.03	149,997.27	3.010	2.951%	5/18/2022	AAA	NR
44891KAD7	Hyundai Auto Receivables	4/18/2018	110,000.00	109,911.98	109,986.08	2.790	2.836%	7/15/2022	AAA	Aaa

89238TAD5	Toyota Motor Corp	5/16/2018	285,000.00	285,068.97	284,996.37	2.960	2.947%	9/15/2022	AAA	Aaa
02582JHQ6	American Express	3/21/2018	285,000.00	283,890.64	284,972.35	2.670	2.878%	10/17/2022	NR	Aaa
02004VAC7	Ally Auto Receivables Trust	4/30/2018	340,000.00	339,408.43	339,946.78	2.920	3.011%	11/15/2022	NR	Aaa
58772RAD6	Mercedes-Benz Auto Receivables	7/25/2018	165,000.00	165,297.51	164,994.33	3.030	2.940%	1/15/2023	AAA	Aaa
02007JAC1	Ally Auto Receivables Trust	6/27/2018	350,000.00	349,712.79	349,978.74	3.000	3.041%	1/15/2023	AAA	Aaa
17305EGK5	Citigroup Inc	8/23/2018	670,000.00	664,597.19	663,017.17	2.490	2.894%	1/20/2023	NR	Aaa
36255JAD6	GM Financial Securitized Term	7/18/2018	165,000.00	165,587.28	164,964.98	3.020	2.855%	5/16/2023	AAA	NR
14313FAD1	Carmax Auto Owner Trust\	7/25/2018	165,000.00	165,630.76	164,979.43	3.130	2.956%	6/15/2023	AAA	NR
Total Marketable Securities			33,009,701.79	32,637,086.13	32,874,482.22					
Pooled Funds										
LAIF			15,825,283.61	15,825,283.61	15,825,283.61	2.200	2.200%		NR	NR
CAMP			46,289,131.28	46,289,131.28	46,289,131.28	2.570	2.570%		AAAm	NR
PBAA			4,234,552.55	4,234,552.55	4,234,552.55	0.100	0.100%		NR	NR
UMPQUA			3,055,748.83	3,055,748.83	3,055,748.83	0.400	0.400%		NR	NR
Total Pooled Funds			69,404,716.27	69,404,716.27	69,404,716.27					
TOTAL INVESTMENTS			102,414,418.06	102,041,802.40	102,279,198.49		Total Wtd. Avg. Yield At Market			2.43%

