NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.

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

$3,000,000
CASCADE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series B
(Bank Qualified)

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

Authority and Purpose. The above-captioned General Obligation Bonds, Election of 2016, Series B (the "Bonds"), are being issued by the Cascade Union Elementary School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on May 8, 2019. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016, (the "2016 Authorization") which authorized the issuance of $8,900,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2016 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

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

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

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Assurance Corp. ("MAC" or the "Bond Insurer"). See "BOND INSURANCE."

MUNICIPAL ASSURANCE CORP.
AN ASSURED GUARANTY COMPANY

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about June 19, 2019.

STIFEL

The date of this Official Statement is June 5, 2019.

MATURITY SCHEDULE

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series B
(Bank Qualified)
Base CUSIP†: 147168

$1,145,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2020	$110,000	4.000%	1.260%	CH9
2021	225,000	4.000	1.290	CJ5
2025	10,000	4.000	1.470	CL0
2026	15,000	4.000	1.520	CM8
2027	20,000	4.000	1.620	CN6
2028	25,000	4.000	1.730 C	CP1
2029	30,000	4.000	1.830 C	CQ9
2030	35,000	4.000	1.930 C	CR7
2031	45,000	4.000	2.060 C	CS5
2032	50,000	4.000	2.180 C	CT3
2033	60,000	4.000	2.280 C	CU0
2034	65,000	4.000	2.370 C	CV8
2035	75,000	4.000	2.460 C	CW6
2036	80,000	4.000	2.550 C	CX4
2037	90,000	4.000	2.620 C	CY2
2038	100,000	4.000	2.680 C	CZ9
2039	110,000	4.000	2.740 C	DA3

$740,000 - 4.000% Term Bonds maturing August 1, 2044; Yield: 2.910% C; CUSIP†: DB1

$1,115,000 - 4.000% Term Bonds maturing August 1, 2049; Yield: 2.960% C; CUSIP†: DC9

C Yield to par call on the first optional redemption date of August 1, 2027.
† CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

DISTRICT ADMINISTRATION

Jason Provence, *Superintendent*
Chuck Strom, *Chief Business Official*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

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

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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 bond owner and the District or the Underwriter.

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

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

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

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

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

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

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

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

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

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

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

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$3,000,000
CASCADE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series B
(Bank Qualified)

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

INTRODUCTION

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

The District. The District, located in Shasta County (the "**County**"), serves the City of Anderson (the "**City**"), as well as unincorporated areas of the County. The District currently operates two elementary schools, one intermediate school and one community day school. In addition, the District is the sponsoring local educational agency for one charter school. Enrollment in the District is approximately 1,060 students for fiscal year 2018-19. For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on November 8, 2016 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election and will be issued pursuant to certain provisions of the Government Code of the State, and pursuant to a resolution adopted by the Board of Trustees of the District on May 8, 2019 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

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

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

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

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). The Bonds are the second series of bonds issued pursuant to the 2016 Authorization. See "SECURITY FOR THE BONDS."

Following the issuance of the Bonds, $1,900,000 principal amount of bonds will remain authorized but unissued under the 2016 Authorization. See "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

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

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

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

Tax Matters; Bank Qualified. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the **"State"**) personal income taxes. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. See "TAX MATTERS" and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the "**Continuing Disclosure Certificate**"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 1645 West Mill Street, Anderson, California 96007, Telephone: (530) 378-7000. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution. The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $8,900,000 (the "**2016 Authorization**").

On April 12, 2017, the District issued an initial series of bonds pursuant to the 2016 Authorization in the aggregate principal amount of $4,000,000. The Bonds are the second series of bonds issued pursuant to the 2016 Authorization. Following the issuance of the Bonds, there will be $1,900,000 remaining under the 2016 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on November 8, 2016, the abbreviated text of which appeared on the ballot as follows:

> *"To improve the quality of education with funding that cannot be taken by the state; repair or replace leaky roofs; renovate deteriorating plumbing and sewer systems; upgrade inadequate electrical systems; make health, safety and security improvements; and upgrade, renovate, and modernize 55-year-old classrooms, restrooms, and school facilities; shall the Cascade Union Elementary School District issue $8,900,000 of bonds at legal interest rates, with annual audits, an independent citizens' oversight committee and NO money for teacher or administrative salaries?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2016 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

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

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

Book-Entry Only System

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

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

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

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2028 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2027, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

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

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2044 and August 1, 2049 (collectively, the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Term Bonds Maturing August 1, 2044

Redemption Date (August 1)	**Sinking Fund Redemption**
2040	$125,000
2041	135,000
2042	145,000
2043	160,000
2044 (maturity)	175,000

Term Bonds Maturing August 1, 2049

Redemption Date (August 1)	**Sinking Fund Redemption**
2045	$190,000
2046	205,000
2047	220,000
2048	240,000
2049 (maturity)	260,000

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

Notice of Redemption

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

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

Partial Redemption of Bonds

If less than all of the Bonds are called for redemption, the Bonds shall 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 deemed fair by the Paying Agent. For purposes of such selection, each Bond shall be deemed to consist of individual Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

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

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

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

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

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

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

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

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

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

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DEBT SERVICE SCHEDULES

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

Cascade Union Elementary School District
General Obligation Bonds
Election of 2016, Series B
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2020	$110,000.00	$134,000.00	$244,000.00
2021	225,000.00	115,600.00	340,600.00
2022	--	106,600.00	106,600.00
2023	--	106,600.00	106,600.00
2024	--	106,600.00	106,600.00
2025	10,000.00	106,600.00	116,600.00
2026	15,000.00	106,200.00	121,200.00
2027	20,000.00	105,600.00	125,600.00
2028	25,000.00	104,800.00	129,800.00
2029	30,000.00	103,800.00	133,800.00
2030	35,000.00	102,600.00	137,600.00
2031	45,000.00	101,200.00	146,200.00
2032	50,000.00	99,400.00	149,400.00
2033	60,000.00	97,400.00	157,400.00
2034	65,000.00	95,000.00	160,000.00
2035	75,000.00	92,400.00	167,400.00
2036	80,000.00	89,400.00	169,400.00
2037	90,000.00	86,200.00	176,200.00
2038	100,000.00	82,600.00	182,600.00
2039	110,000.00	78,600.00	188,600.00
2040	125,000.00	74,200.00	199,200.00
2041	135,000.00	69,200.00	204,200.00
2042	145,000.00	63,800.00	208,800.00
2043	160,000.00	58,000.00	218,000.00
2044	175,000.00	51,600.00	226,600.00
2045	190,000.00	44,600.00	234,600.00
2046	205,000.00	37,000.00	242,000.00
2047	220,000.00	28,800.00	248,800.00
2048	240,000.00	20,000.00	260,000.00
2049	260,000.00	10,400.00	270,400.00
TOTAL	$3,000,000.00	$2,478,800.00	$5,478,800.00

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Combined Debt Service Schedule

Period Ending August 1	2008 Series A Bonds	2008 Series B Bonds	2016 Refunding Bonds	2016 Series A Bonds	The Bonds	Aggregate Debt Service
2019	$104,000.00	$85,487.50	$109,900.56	$345,931.26	--	$645,319.32
2020	--	73,387.50	225,102.06	152,131.26	$244,000.00	694,620.82
2021	--	66,587.50	248,139.68	152,131.26	340,600.00	807,458.44
2022	--	59,937.50	265,466.22	152,131.26	106,600.00	584,134.98
2023	--	53,437.50	281,459.34	152,131.26	106,600.00	593,628.10
2024	--	42,200.00	305,446.58	152,131.26	106,600.00	606,377.84
2025	--	36,150.00	327,751.42	152,131.26	116,600.00	632,632.68
2026	--	35,250.00	343,995.38	152,131.26	121,200.00	652,576.64
2027	--	29,312.50	363,252.24	152,131.26	125,600.00	670,296.00
2028	--	23,500.00	385,238.06	227,131.26	129,800.00	765,669.32
2029	--	17,800.00	405,462.98	234,881.26	133,800.00	791,944.24
2030	450,000.00	22,275.00	--	242,331.26	137,600.00	852,206.26
2031	465,000.00	26,575.00	--	249,481.26	146,200.00	887,256.26
2032	490,000.00	20,700.00	--	251,200.00	149,400.00	911,300.00
2033	525,000.00	4,008.85	--	262,625.00	157,400.00	949,033.85
2034	--	495,670.50	--	278,406.26	160,000.00	934,076.76
2035	--	514,866.50	--	288,331.26	167,400.00	970,597.76
2036	--	529,905.60	--	297,531.26	169,400.00	996,836.86
2037	--	550,000.00	--	306,187.50	176,200.00	1,032,387.50
2038	--	573,534.00	--	316,687.50	182,600.00	1,072,821.50
2039	--	594,770.75	--	326,187.50	188,600.00	1,109,558.25
2040	--	616,550.70	--	339,687.50	199,200.00	1,155,438.20
2041	--	638,852.50	--	351,937.50	204,200.00	1,194,990.00
2042	--	661,675.00	--	337,937.50	208,800.00	1,208,412.50
2043	--	690,000.00	--	332,437.50	218,000.00	1,240,437.50
2044	--	--	--	346,750.00	226,600.00	573,350.00
2045	--	--	--	350,125.00	234,600.00	584,725.00
2046	--	--	--	357,937.50	242,000.00	599,937.50
2047	--	--	--	--	248,800.00	248,800.00
2048	--	--	--	--	260,000.00	260,000.00
2049	--	--	--	--	270,400.00	270,400.00
TOTAL	$2,034,000.00	$6,462,434.40	$3,261,214.52	$7,260,775.16	$5,478,800.00	$24,497,224.08

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$3,000,000.00
Original Issue Premium	253,322.00
Total Sources	$3,253,322.00
Uses of Funds	
Building Fund	$2,852,500.00
Debt Service Fund	199,555.92
Costs of Issuance (1)	201,266.08
Total Uses	$3,253,322.00

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

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SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

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

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

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

In summer of 2018, the Carr Fire, in the County and Trinity County, destroyed more than a thousand structures. The Carr Fire burned over 230,000 acres. See "PROPERTY TAXATION - Assessed Valuation - *Carr Fire*."

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Cascade Union Elementary School District, Election of 2016, Series B Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Debt service for the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Cascade Union Elementary School District, Election of 2016, Series B Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

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

Historic Assessed Valuations

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

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

Assessed Valuation

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2010-11 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2010-11	$891,930,309	$33,800	$69,912,850	$961,876,959	--
2011-12	853,607,826	2,600	67,609,301	921,219,727	(4.2)%
2012-13	810,012,512	2,600	69,197,212	879,212,324	(4.6)
2013-14	846,082,069	0	65,830,740	911,912,809	3.7
2014-15	913,640,762	2,600	50,052,488	963,695,850	5.7
2015-16	947,646,025	6,600	49,035,412	996,688,037	3.4
2016-17	1,008,515,738	6,600	47,961,103	1,056,483,441	6.0
2017-18	1,064,409,865	6,600	49,050,102	1,113,466,567	5.4
2018-19	1,127,088,598	6,600	49,462,548	1,176,557,746	5.7

Source: California Municipal Statistics, Inc.

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

Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, with the exception of Fresno, Kings, Tulare and Tuolumne counties, where emergency drinking water projects are currently in place to address diminished groundwater supplies. In addition, wildfires have occurred in recent years in different regions of the State, which damaged and threatened thousands of homes.

Carr Fire. In the summer of 2018, the Carr Fire, in the County and Trinity County, destroyed more than 1,600 buildings and nearly 230,000 acres. The District estimates that approximately 2% of residences within the District's boundaries were destroyed or damaged by the Carr Fire, based on the number of students and staff who lost homes in the fire. An estimate of the assessed valuation of impacted property has not been made. However, the District cannot predict or make any representations regarding the effects that the Carr Fire, or other fires, may have on the value of taxable property within the District, or to what extent such fires may impact the District. In addition, the District cannot predict when the structures that have been damaged or destroyed will be restored and/or rebuilt. No property of the District's was damaged or destroyed as a result of the Carr Fire.

In its 2018-19 budget, the State of California budgeted for $32.9 million to backfill property tax revenue losses incurred in fiscal years 2017-18 and 2018-19 from wildfires, mudslides and other natural disasters, and a hold harmless provision allowing local education agencies, such as the District, to recoup revenue lost due to declines in average daily attendance that are directly associated with such disasters. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS – State Funding of Education – 2018-19 State Budget" in APPENDIX A.

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

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Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2018-19. As shown, the majority of the District's assessed valuation is represented by residential property.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural/Rural	$ 14,855,543	1.32%	305	4.56%
Commercial/Office	195,274,407	17.33	453	6.77
Vacant Commercial	15,522,878	1.38	164	2.45
Industrial	144,986,282	12.86	89	1.33
Vacant Industrial	9,444,637	0.84	87	1.30
Recreational	1,395,052	0.12	5	0.07
Government/Social/Institutional	507,592	0.05	499	7.46
Subtotal Non-Residential	$381,986,391	33.89%	1,602	23.96%
Residential:				
Single Family Residence	$635,681,275	56.40%	3,992	59.70%
Mobile Home	13,406,993	1.19	526	7.87
Mobile Home Park	13,264,667	1.18	13	0.19
2-4 Residential Units	29,602,437	2.63	210	3.14
5+ Residential Units/Apartments	38,009,567	3.37	35	0.52
Miscellaneous Residential	11,189,220	0.99	89	1.33
Vacant Residential	3,948,048	0.35	220	3.29
Subtotal Residential	$745,102,207	66.11%	5,085	76.04%
Total	$1,127,088,598	100.00%	6,687	100.00%

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

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2018-19, including the median and average assessed value per single family parcel.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,992	$635,681,275	$159,239	$146,112

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	29	0.726%	0.726%	$ 550,555	0.087%	0.087%
$25,000 - $49,999	198	4.960	5.686	8,191,645	1.289	1.375
$50,000 - $74,999	391	9.795	15.481	24,920,395	3.920	5.296
$75,000 - $99,999	484	12.124	27.605	42,431,705	6.675	11.971
$100,000 - $124,999	464	11.623	39.228	52,122,819	8.200	20.170
$125,000 - $149,999	496	12.425	51.653	68,323,016	10.748	30.918
$150,000 - $174,999	501	12.550	64.203	81,100,508	12.758	43.676
$175,000 - $199,999	358	8.968	73.171	66,907,873	10.525	54.201
$200,000 - $224,999	357	8.943	82.114	75,702,196	11.909	66.110
$225,000 - $249,999	271	6.789	88.903	64,104,036	10.084	76.195
$250,000 - $274,999	139	3.482	92.385	36,240,766	5.701	81.896
$275,000 - $299,999	75	1.879	94.264	21,425,013	3.370	85.266
$300,000 - $324,999	64	1.603	95.867	19,904,190	3.131	88.397
$325,000 - $349,999	29	0.726	96.593	9,776,729	1.538	89.935
$350,000 - $374,999	26	0.651	97.244	9,334,641	1.468	91.404
$375,000 - $399,999	22	0.551	97.796	8,454,403	1.330	92.734
$400,000 - $424,999	22	0.551	98.347	9,029,011	1.420	94.154
$425,000 - $449,999	9	0.225	98.572	3,912,347	0.615	94.769
$450,000 - $474,999	9	0.225	98.798	4,181,333	0.658	95.427
$475,000 - $499,999	11	0.276	99.073	5,401,472	0.850	96.277
$500,000 and greater	37	0.927	100.000	23,666,622	3.723	100.000
Total	3,992	100.000%		$635,681,275	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Typical Tax Rates

Below are historical typical tax rates in one of the tax rate areas within the District.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Typical Tax Rates per $100 of Assessed Valuation
Fiscal Years 2014-15 through 2018-19
Tax Rate Area 2-001

Purpose	2014-15	2015-16	2016-17	2017-18	2018-19
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Cascade Union School District	.0262	.0267	.0282	.0555	.0531
Anderson Union High School District	.0163	.0270	.0057	.0198	.0130
Shasta-Tehama-Trinity Community College	.0107	.0051	.0057	.0267	.0097
Total	$1.0532	$1.0588	$1.0396	$1.1020	$1.0758

Source: California Municipal Statistics, Inc.

Teeter Plan

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis, according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

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

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The District is not aware of any plan for the discontinuation of the Teeter Plan in the County.

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

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

Notwithstanding that the County is on the Teeter Plan, below is information regarding historical secured tax charges and delinquencies with respect to the levy for debt service on the District's outstanding bonds.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 through 2017-18

Fiscal Year	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2009-10	$330,621.02	$20,374.34	6.16%
2010-11	293,050.72	16,725.07	5.71
2011-12	189,818.26	9,347.66	4.92
2012-13	118,512.66	4,970.75	4.19
2013-14	248,658.64	5,014.62	2.02
2014-15	233,785.47	3,647.59	1.56
2015-16	247,928.99	3,546.37	1.43
2016-17	278,428.40	4,011.11	1.44
2017-18	576,483.45	7,541.12	1.31

(1) Bond debt service levy.
Source: California Municipal Statistics, Inc.

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Top 20 Property Owners

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Sierra Pacific Industries	Industrial	$81,556,462	7.24%
2.	Walmart Real Estate Business Trust	Commercial	18,588,886	1.65
3.	Kimberly Lyn Branagh	Commercial	13,311,144	1.18
4.	Legerity Group LLC	Apartments	7,150,000	0.63
5.	James & Elizabeth Headrick	Industrial	5,960,285	0.53
6.	MJ Properties	Commercial	5,946,800	0.53
7.	Izabella Investment LLC	Commercial	5,878,657	0.52
8.	Safeway Holdings Inc.	Commercial	5,765,546	0.51
9.	Enterprise Realty	Commercial	5,750,000	0.51
10.	El Rio Estates LLC	Mobile Home Park	5,071,098	0.45
11.	Kismat Fuels Inc.	Commercial	4,695,950	0.42
12.	3300 Franklin Street LLC	Commercial	4,333,184	0.38
13.	V P Investments	Commercial	4,013,811	0.36
14.	Seing Charn Chao	Apartments	3,902,438	0.35
15.	Anderson Retail LLC	Commercial	3,846,283	0.34
16.	Daniel Paul Hagus Trust	Agricultural	3,268,401	0.29
17.	Gak Inc.	Commercial	3,193,500	0.28
18.	FRHP Lincolnshire LLC	Commercial	2,946,802	0.26
19.	7001 Eastside Road LLC	Commercial	2,590,486	0.23
20.	Linc-Anderson Apartments LP	Apartments	2,571,800	0.23
			$190,341,533	16.89%

(1) 2018-19 local secured assessed valuation: $1,127,088,598.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of May 1, 2019)

2018-19 Assessed Valuation: $1,176,557,746

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 5/1/19**
Shasta-Tehama-Trinity Community College District	4.694%	$ 3,237,217
Anderson Union High School District	34.242	3,768,332
Cascade Union School District	**100.000**	**8,939,665**[1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$15,945,214
OVERLAPPING GENERAL FUND DEBT:		
Shasta County General Fund Obligations	6.616%	$1,646,061
Shasta-Tehama-Trinity Community College District General Fund Obligations	4.694	307,222
City of Anderson Pension Fund Obligation Bonds	99.510	1,738,440
City of Redding General Fund Obligations	0.279	78,081
TOTAL OVERLAPPING GENERAL FUND DEBT		$3,769,804
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to Anderson Redevelopment Agency Southwest Project Area	100.000%	$6,690,000
Successor Agency to Shasta County Redevelopment Agency Shastec Project Area	15.902	1,794,541
TOTAL OVERLAPPING TAX INCREMENT DEBT		$8,484,541
COMBINED TOTAL DEBT		$28,199,559[2]

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($8,939,665) **0.76%**
Total Direct and Overlapping Tax and Assessment Debt................. 1.36%
Combined Total Debt... 2.40%

Ratios to Redevelopment Incremental Valuation ($176,616,467):
Overlapping Tax Increment Debt.. 4.80%

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

BOND INSURANCE

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

Bond Insurance Policy

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

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

Municipal Assurance Corp.

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

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

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

Current Financial Strength Ratings

On July 12, 2018, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

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

Capitalization of MAC

As of March 31, 2019, MAC's policyholders' surplus and contingency reserve were approximately $526 million and its unearned premium reserve was approximately $183 million, in each case, determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

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

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

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

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

Miscellaneous Matters

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

TAX MATTERS

Tax Exemption

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

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

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "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 are 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 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, 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 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. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or cause the Bonds to not be “qualified tax-exempt obligations,” or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

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

Compensation of Certain Professionals

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

CONTINUING DISCLOSURE

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

The District has existing undertakings pursuant to the Rule in connection with the delivery of prior general obligation bonds. See APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations."

The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

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

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") is expected to assign its rating of "AA" to the Bonds, based on the understanding that the Bond Insurer will deliver its Policy with respect to the Bonds at the time of delivery of the Bonds. See "BOND INSURANCE."

In addition, S&P has assigned an underlying rating of "A+" to the Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such ratings reflect only the view of S&P and an explanation of the significance of such ratings and outlook may be obtained only from S&P. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $3,208,322.00 which is equal to the initial principal amount of the Bonds of $3,000,000.00, plus original issue premium of $253,322.00 less an Underwriter's discount of $45,000.00.

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

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

By: *__________/s/ Jason Provence__________*
Superintendent

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APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The District, located in Shasta County (the "**County**"), serves the City of Anderson (the "**City**"), and adjacent unincorporated areas of the County. The District currently operates two elementary schools, one intermediate school and one community day school. In addition, the District is the sponsoring local educational agency for one charter school. Total enrollment for the fiscal year 2018-19 is approximately 1,078 students. See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

Administration

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

Name	Office	Term Expires
Les McMullen	President	November 2022
Michael Costa	Clerk	November 2020
Jim Carroll	Trustee	November 2020
Helen Ciaramella	Trustee	November 2022
Terri Quigley	Trustee	November 2022

Administrative Personnel. The Superintendent of the District is appointed by the Board, is responsible for management of the day-to-day operations of the District and supervises the work of other District administrators. Jason Provence is currently the Superintendent of the District and Chuck Strom is the Accounting Manager.

FCMAT Investigation. The Education Code of the State authorizes the Superintendent of Schools of each county to audit any school district that he or she has reason to believe fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. In May of 2018, a former District employee alleged in a complaint to the Superintendent of Schools of the County that compensation increases and overtime pay were authorized for certain employees, including members of the District's administration, without following proper procedures. The amount in question is less than $75,000.

The Fiscal Crisis & Management Assistance Team ("**FCMAT**"), which itself has no sanctioning authority, commenced an investigation into the matter, and will report its findings to the County Superintendent of Schools. Under State law, if sufficient evidence exists to indicate that fraud, misappropriation of District funds or other illegal fiscal activities may have occurred, the County Superintendent of Schools is required to report the FCMAT findings to the District's Board, the State Controller, the State Superintendent of Public Instruction and the local district attorney. The local district attorney will decide whether to pursue any criminal charges. The former chief business official is no longer an employee of the District.

Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District.

ANNUAL ENROLLMENT
Fiscal Years 2005-06 through 2018-19 (1)
Cascade Union Elementary School District

Fiscal Year	Student Enrollment	% Change
2005-06	1,558	--%
2006-07	1,537	(1.3)
2007-08	1,526	(0.7)
2008-09	1,523	(0.2)
2009-10	1,426	(6.4)
2010-11	1,395	(2.2)
2011-12	1,395	0.0
2012-13	1,292	(7.4)
2013-14	1,228	(5.0)
2014-15	1,202	(2.1)
2015-16	1,103	(8.2)
2016-17	1,080	(2.1)
2017-18	1,032	(4.4)
2018-19	1,060	2.7

(1) Enrollment figures do not include charter schools in the District's boundaries.
Source: California Department of Education for 2005-06 through 2018-19

Employee Relations

The District has 64.0 full-time equivalent (**"FTE"**) certificated, 75.7 FTE classified, and 15.7 management, supervisor, and confidential positions. The following table summarizes contracts with bargaining units.

Employee Group	Bargaining Group	Contract Expiration Date
Certificated	Anderson Cascade Teachers Association	June 30, 2020
Classified	California School Employees Association	October 31, 2018*
Classified	Teamsters	June 30, 2018*

* Employees continue to operate pursuant to terms of expired agreements pending settlement.
Source: Cascade Union Elementary School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

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

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

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

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

Fiscal Year 2018-19 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2018-19 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2018-19 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,193	$266	$776	$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

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

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

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

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

District Accounting Practices

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

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

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2018 Audited Financial Statements were prepared by Vavrinek, Trine, Day & Co., LLP Rancho Cucamonga, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Accounting Manager, Cascade Union Elementary School District, 1645 West Mill Street, Anderson, California 96007, Telephone: (530) 378-7000. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2013-14 through 2017-18.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18 (Audited)
Cascade Union Elementary School District

Revenues	**Audited 2013-14**	**Audited 2014-15**	**Audited 2015-16**	**Audited 2016-17**	**Audited 2017-18**
Property Taxes	$1,958,889	$2,046,267	$2,322,840	$2,692,878	--
LCFF	6,549,041	7,100,292	7,953,186	7,498,355	$10,150,804
Other State Revenue	791,064	548,950	1,560,641	1,314,505	916,095
Federal Revenue	1,282,217	1,403,367	1,330,689	1,024,188	1,136,232
Other Local Revenues	1,141,013	960,130	1,057,853	1,149,887	1,394,191
Total Revenues	11,722,224	12,059,006	14,225,209	13,679,813	13,597,322
Expenditures					
Instruction	7,120,050	7,808,591	8,611,840	8,226,998	9,291,465
Instruction-related services:	902,462	954,294	1,328,086	1,317,775	1,362,601
Pupil services	843,708	906,038	1,295,266	1,215,584	1,598,963
Ancillary services	52,479	43,661	34,951	8,086	45,898
Community services	166,965	116,540	126,147	113,042	113,270
General administration	976,970	955,125	1,057,966	1,006,050	1,345,939
Plant services	1,324,253	1,322,672	1,235,245	1,556,603	1,318,237
Transfers between agencies	8,642	2,692	13,398	60,340	--
Debt service: Principal	113,394	--	--	--	--
Debt service: Interest	--	--	--	--	--
Capital outlay	--	207,999	690,207	322,065	--
Other outgo	--	--	--	--	62,575
Facility acquisition and construction	--	--	--	--	214,479
Total Expenditures	11,508,923	12,317,612	14,393,106	13,826,543	15,353,427
Excess of Revenues Over/(Under) Expenditures	213,301	(258,606)	(167,897)	(146,730)	(1,756,105)
Total Other Financing Sources (Uses)	(407,644)*	(489,302)*	(14,981)	(60,947)	(12,704)
Net change in fund balance	(194,343)	(747,908)	(182,878)	(207,677)	(1,768,809)
Fund Balance, July 1 [(2)]	6,862,829	6,668,486	5,920,578	5,737,700	5,530,023
Fund Balance, June 30	$6,668,486	$5,920,578	$5,737,700	$5,530,023	$3,761,214

* Transfers out represent predominantly one-time capital expenditures.
Source: Cascade Union Elementary School District Audit Reports.

District Budget and Interim Financial Reporting

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

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

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

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

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

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

District's Interim Certification History. The following is a five-year summary of certifications of the District's interim reports:

Interim Report	Certification Assigned
1st Interim 2014-15	Positive
2nd Interim 2014-15	Positive
1st Interim 2015-16	Positive
2nd Interim 2015-16	Positive
1st Interim 2016-17	Positive
2nd Interim 2016-17	Positive
1st Interim 2017-18	Qualified
2nd Interim 2017-18	Qualified
1st Interim 2018-19	Qualified
2nd Interim 2018-19	Qualified

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Cascade Union Elementary School District, 1645 West Mill Street, Anderson, California 96007, Telephone: (530) 378-7000. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2018-19 (adopted budget and second interim projections).

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (Adopted Budget and Second Interim Projections)

Revenues	**Adopted Budget 2018-19**	**Second Interim Projections 2018-19**
Total LCFF Sources	$10,522,099	$10,755,543
Federal Revenues	1,144,733	1,140,146
Other state revenues	712,962	756,554
Other local revenues	957,799	1,239,094
Total Revenues	13,337,593	13,891,337
Expenditures		
Certificated Salaries	5,226,210	5,097,071
Classified Salaries	2,501,542	2,402,265
Employee Benefits	3,388,618	3,176,024
Books and Supplies	552,388	603,550
Contract Services & Operating Exp.	2,513,392	3,009,166
Capital Outlay	75,0000	354,733
Other Outgo (excluding indirect costs)	62,575	80,450
Other Outgo – Transfers of Indirect Costs	(68,735)	(68,735)
Total Expenditures	14,250,990	14,654,524
Excess of Revenues Over/(Under) Expenditures	(913,397)	(763,187)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(16,471)	(25,727)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(16,471)	(25,727)
Net change in fund balance	(929,868)	(789,914)
Fund Balance, July 1[(1)]	2,973,731	2,973,729
Fund Balance, June 30	$2,043,863	$2,184,815

(1) Interim reports and budgets do not include special reserves which are presented in the audited financial statements summarized in the prior table.
Source: Cascade Union Elementary School District.

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

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

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

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2013-14 through 2018-19 (projected).

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2013-14 through 2018-19 (Projected)

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	1,152	$7,386
2014-15	1,121	8,163
2015-16	1,038	9,838
2016-17	1,023	9,914
2017-18	997	10,132
2018-19 (1)	1,005	10,702

(1) Second Interim Projections.
Source: California Department of Education; Cascade Union Elementary School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 82.5% for purposes of calculating supplemental and concentration grant funding under LCFF.

Revenue Sources

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

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

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

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

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

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

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

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

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

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

District Retirement Systems

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

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

STRS Contributions
Cascade Union Elementary School District
Fiscal Years 2013-14 through 2018-19 (Projected)

Fiscal Year	Amount
2013-14	$393,321
2014-15	434,803
2015-16	558,722
2016-17	617,447
2017-18	767,387
2018-19 (1)	1,024,669 (2)

(1) Second Interim Projections.
(2) Increases attributed to increase in contribution rates and the recognition of on-behalf STRS contributions in governmental funds.
Source: Cascade Union Elementary School District.

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

in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

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

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

Fiscal Year	Employer Contribution Rate[1]
2019-20	18.13%
2020-21	19.10
2021-22[2]	18.60
2022-23[2]	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469

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

PERS Contributions
Cascade Union Elementary School District
Fiscal Years 2013-14 through 2018-19 (Projected)

Fiscal Year	Amount
2013-14	$230,167
2014-15	257,928
2015-16	262,039
2016-17	347,925
2017-18	437,154
2018-19 [1]	437,676

(1) Second Interim Projections.
Source: Cascade Union Elementary School District.

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

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

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

Source: PERS.

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

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

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

Fiscal Year	Employer Contribution Rate(2)
2019-20	20.800%
2020-21	23.500
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

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

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

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

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

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

Other Post-Employment Retirement Benefits

The District's governing board administers the post-employment benefits plan (the "**Plan**"). The Plan is a single-employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Management of the Plan is vested in the District management. As of June 30, 2018, the Plan membership consisted of 17 inactive employees or beneficiaries receiving benefits and 76 active employees.

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, subject to annual caps of $3,600, and $3,000, for certificated and classified employees, respectively. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the Anderson Cascade Teachers Association ("**ACTA**"), the local California Service Employees Association ("**CSEA**"), the local General Teamsters, Professional, Health Care and Public Employees Union ("**Union**"), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACTA, CSEA, the Union, and the unrepresented groups. For fiscal year 2017-2018, the District paid $50,843 in benefits.

Actuarial Assumptions. The District's total Plan liability of $441,990 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation was 2.25%, salary increases 3.00%, average, including inflation, and healthcare cost trend rates 8.00%, for 2017-18. The discount rate used to measure the OPEB liability was 3.60% and based on the Bond Buyer 20-bond General Obligation Index. Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100 percent of scale MP-2016 for years 2014 through 2029, 50 percent of MP-2016 for years 2030 through 2049, and 20 percent of MP-2016 for 2050 and thereafter. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience through July 1, 2017.

Changes in the Plan Liability of the District. The changes in the Plan liability of the District as of June 30, 2018, is shown in the following table:

CHANGES IN TOTAL PLAN LIABILITY
Cascade Union Elementary School District

	Total OPEB Liability
Balance at June 30, 2017	$462,548
Service Cost	14,043
Interest	16,242
Benefit payments	(50,843)
Net changes	(20,558)
Balance at June 30, 2018	$441,990

Source: Cascade Union Elementary School District Audit Report.

Plan Expense. For the year ended June 30, 2018, the District recognized an OPEB expense of $20,558.

Medicare Premium Payment Program Description. The Medicare Premium Payment ("**MPP**") Program is administered by CalSTRS. The MPP Program is a cost-sharing multiple-employer OPEB plan established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, MPP 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan 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.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

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

Net OPEB Liability. At June 30, 2018, the District reported a liability of $68,518, for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0163 percent, and 0.0184 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

Actuarial Assumptions. The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Actuarial Assumptions
Cascade Union Elementary School District

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part A Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, 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 now 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 the 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32% of the potentially eligible population of 177,763.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate. The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. 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% and 2.85%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

MPP Program Expense. For the year ended June 30, 2018, the District recognized an OPEB expense for the MPP Program of $17,578.

For additional information about the District's other post-employments benefits, see Note 8 of the District's audited financial statements for fiscal year ended June 30, 2018, attached to the Official Statement as APPENDIX B.

Existing Debt Obligations

General Obligation Bonds. The District has general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds, as described below. The following table shows the outstanding principal amount of general obligation bonded debt of the District as of May 1, 2019.

Summary of Outstanding General Obligation Bond Indebtedness
Cascade Union Elementary School District

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of May 1, 2019
06/03/2009	General Obligation Bonds, Election of 2008, Series A	$3,497,733.45	$237,733.45
10/31/2012	General Obligation Bonds, Election of 2008, Series B	2,213,292.40	1,848,292.40
11/01/2016	2016 General Obligation Refunding Bonds	3,010,850.00	2,878,640.00
04/12/2017	General Obligation Bonds, Election of 2016, Series A	4,000,000.00	3,975,000.00
Total		$12,721,875.85	$8,939,665.85

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

Recent State Budgets

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

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

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

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

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

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

2018-19 State Budget

On June 27, 2018, the Governor signed the 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $137.7 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.9 billion, or 5.2%, from the 2017-18 State budget. Of that $78.4 billion, $61.0 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2018-19, restoring every school district in the State to at least pre-recession funding levels.

The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, revenues have been set aside in new savings funds, including a $200 million reserve for safety net programs. Other significant features of the 2018-19 State Budget include:

- $640 million in Proposition 51 State bond authority for school facilities;

- $1 billion in federal and state funds, over four years, for early childhood programs, including the addition of placement for 13,400 child-care and 2,947 preschool children, and $450 million to reduce the number of children living in deep poverty;

- one-time funding for K-12 school districts to fund various programs, including $300 million for the lowest-performing student subgroups, $125 million to address the shortage of special education teachers, and $100 million to expand facilities for kindergarten and transitional kindergarten;

- $54 million for county offices of education to support school districts needing additional assistance, as determined based on multiple performance indicators;

- $100 million for local fire response, including $32.9 million to backfill property tax revenue losses that cities, counties and districts incurred in fiscal year

2017-18 and will incur in fiscal year 2018-19 from wildfires, mudslides and other natural disasters, and a hold harmless provision allowing local education agencies to recoup revenue that has been lost due to declines in average daily attendance that are directly associated with these disasters;

- $185.4 million to multiple state agencies for the first year of implementation of a $4 billion parks and water bond measure approved by voters in 2018; and

- one-time funding of $500 million to support local governments in addressing homelessness, to be used for emergency shelters, bridge housing, motel vouchers, and supportive housing.

2019-20 Proposed State Budget

On January 10, 2019, the Governor released the proposed State budget for fiscal year 2019-20 (the **"2019-20 Proposed Budget"**). The 2019-20 Proposed Budget projects general fund revenues in fiscal year 2018-19 of approximately $149.3 billion (including a prior year balance of approximately $12.4 billion) and expenditures of approximately $144.1 billion. For fiscal year 2019-20, the 2019-20 Proposed Budget projects general fund revenues of $147.9 billion (including a prior year transfer of approximately $5.2 billion) and authorizes expenditures of $144.2 billion. The 2019-20 Proposed Budget continues to build State reserves to manage the impacts of future economic downturns, with $2.3 billion in a Special Fund for Economic Uncertainties, $15.3 billion in the "Rainy Day Fund," and $900 million in a Safety Net Reserve Fund. The 2019-20 Proposed Budget notes that additional deposits to the Rainy Day Fund will be made in reliance on a recent opinion by the California Office of Legislative Counsel, which concluded that supplemental payments made in prior fiscal years do not count towards calculating the Rainy Day Fund's constitutional maximum of 10%, and projects bringing the Rainy Day Fund to $19.4 billion by 2022-23.

The 2019-20 Proposed Budget raises the Proposition 98 minimum funding guarantee for school districts and community college districts to $80.7 billion, a new all-time high, which includes an additional $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% cost-of-living adjustment, and brings total LFCC funding to $63 billion. To address the rising costs of STRS pensions, the 2019-20 Proposed Budget also includes a $3 billion one-time general fund payment to STRS on behalf of school districts, which is expected to provide immediate relief and reduce the out-year contribution rate by 0.5%. The 2019-20 Proposed State Budget also includes a $750 million one-time general fund payment to fund new or retrofitted facilities for full-day kindergarten programs and other activities that reduce barriers to providing full-day kindergarten and a general fund payment of $576 million ($186 million is one-time) to support expanded special education services in school districts with a high concentration of special education students. The Governor is required to release a revision to the proposed budget by May 14 of each year.

May Revision. On May 9, 2019, the Governor released the May Revision to the 2019-20 Proposed Budget (the "**May Revision**"). The May Revision projects short-term revenues of $3.2 billion above the 2019-20 Proposed Budget, most of which are constitutionally committed funds, so the budget surplus remains relatively the same as the surplus projected in the 2019-20 Proposed Budget. The May Revision forecasts slower growth in the economy, noting that even a moderate economic decline could result in revenue declines of nearly $70 billion and a budget deficit of $40 billion over three years. The May Revision allocates $15 billion to building budgetary resiliency and paying down unfunded liabilities, which is $1.4 billion higher than the amount originally proposed in the 2019-20 Proposed Budget. This includes $4.5 billion to eliminate debts and reverse deferrals, $5.7 billion to build reserves, and $4.8 billion to pay down unfunded retirement liabilities.

With respect to funding for education, $75.6 billion of funding is provided for K-14 education under Proposition 98, representing an increase of $389.3 million from the 2019-20 Proposed Budget, due in part to a slightly slower decline in ADA than originally projected. The May Revision includes total funding of $101.8 billion for all K-12 education programs. In addition, the May Revision adds $150 million in one-time non-Proposition 98 funds in order to reduce the STRS employer contribution rate to 16.7% in 2019-20. Finally, the May Revision proposes an increase of $142.1 million in 2019-20 for school districts, special education local plan areas and county offices of education as a result of lower offsetting property tax revenues, and approximately $2.7 million in one-time wildfire-related cost adjustments for property tax backfill for basic aid school districts impacted by recent wildfires, and student nutrition programs resulting from wildfire-related losses.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2018-19 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

Availability of State Budgets. The complete 2018-19 State Budget and 2019-20 Proposed Budget, including the May Revision, are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

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

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

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

Proposition 30 and Proposition 55

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

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

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

California Senate Bill 222

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

Future Initiatives

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

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APPENDIX B

CASCADE UNION ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Cascade Union Elementary School District
Anderson, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cascade Union Elementary School District (the District) as of and for the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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.

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Opinions

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

Emphasis of Matter – Correction of Error

As discussed in Note 15 to the financial statements, there were certain items that occurred in the prior year net position and fund balances have been restated as of June 30, 2017, to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on pages 64, schedule of changes in the District's total OPEB liability and related ratios on page 65, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 66, schedule of the District's proportionate share of the net pension liability on page 67, and the schedule of District contributions on page 68, 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 Cascade Union Elementary School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019, on our consideration of the Cascade Union Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cascade Union Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cascade Union Elementary School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day + Co. LLP

Rancho Cucamonga, California
February 4, 2019

Cascade
Union Elementary School District
Inspire - Believe - Achieve

1645 West Mill Street, Anderson, CA 96007
(530) 378-7000 FAX (530) 378-7001

This section of Cascade Union Elementary School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the year ending June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Cascade Union Elementary School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Cascade Union Elementary School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Overall governmental revenues and other financing sources were $15,783,788. Overall governmental expenses and other financing uses were $17,620,136. Expenses and other financing uses exceeded revenues and other financing sources by $1,836,348. The District previously settled labor negotiations for 2016-2017 and 2017-2018.

Student Enrollment

The number of pupils the District serves is the basis for most revenues that flow to the District. The most consistent measurement of enrollment by school districts in California is the enrollment count in October of each year. The count in October is far enough into the school year to give districts a consistent number for a year-to-year analysis. The funding allocation for several state and federal programs is based on the enrollment count taken in October. This enrollment count was formerly collected through the California Basic Education Data System (CBEDS) and then the California School Information Services (CSIS). The CBEDS enrollment count is now collected through the California Longitudinal Pupil Achievement Data System (CALPADS).

The District's CBEDS enrollment for October 2017 was 1,032 students. The District's CBEDS enrollment for October 2017 is anticipated to be certified at 1,060 - an increase of 28 students or 2.7 percent.

Although the October CSIS/CBEDS is the first solid indicator of enrollment for the year, the District's largest source of revenue is based on P-2 average daily attendance (ADA). P-2 ADA is the Period 2 Attendance Report of Average Daily Attendance. P-2 ADA is the average student attendance between July 1 and mid-April of each year. The ADA is typically lower than the District's enrollment, although the two terms are often used interchangeably.

The District's P-2 ADA for fiscal year 2017-2018 was 994, which is down from the 2016-2017 ADA of 1,026. Based on the October 2018 CBEDS count, the District's ADA for 2018-2019 was projected to be approximately 1,006 ADA.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $4,098,040, for the fiscal year ended June 30, 2018. Of this amount, $(7,875,255) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		Percentage Change
	2018	(as restated) 2017	2017-2018
Assets			
Current and other assets	$ 9,447,685	$ 11,756,199	-19.64%
Capital assets	16,190,742	15,688,929	3.20%
Total Assets	**25,638,427**	**27,445,128**	-6.58%
Deferred Outflows of Reserves	**4,427,610**	**3,242,723**	36.54%
Liabilities			
Current liabilities	775,362	1,041,911	-25.58%
Long-term obligations	10,746,768	10,867,085	-1.11%
Aggregate net pension liability	13,000,505	11,991,154	8.42%
Total Liabilities	**24,522,635**	**23,900,150**	2.60%
Deferred Inflows of Reserves	**1,445,362**	**853,313**	69.38%
Net Position			
Net investment in capital assets	10,629,946	9,443,267	12.57%
Restricted	1,343,349	5,430,967	-75.27%
Unrestricted (deficit)	(7,875,255)	(8,939,846)	-11.91%
Total Net Position	**$ 4,098,040**	**$ 5,934,388**	-30.94%

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Percentage Change
	2018	2017	2017-2018
Revenues			
Program revenues:			
Charges for services	$ 160,238	$ 136,283	17.58%
Operating grants and contributions	3,855,986	3,510,074	9.85%
General revenues:			
Federal and State aid not restricted	7,870,799	7,967,856	-1.22%
Property taxes	3,340,006	3,007,225	11.07%
Other general revenues	556,759	450,497	23.59%
Total Revenues	**15,783,788**	**15,071,935**	4.72%
Expenses			
Instruction-related	11,261,209	10,024,563	12.34%
Pupil services	2,319,601	2,000,504	15.95%
Plant services	1,381,355	1,592,365	-13.25%
Administration	1,416,011	1,096,977	29.08%
All other services	1,241,960	769,901	61.31%
Total Expenses	**17,620,136**	**15,484,310**	13.79%
Change in Net Position	**$ (1,836,348)**	**$ (412,375)**	345.31%

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $17,620,136. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $3,340,006 because the cost was paid by those who benefited from the programs ($160,238) or by other governments and organizations who subsidized certain programs with grants and contributions ($3,855,986). We paid for the remaining "public benefit" portion of our governmental activities with $8,427,558, in State funds, and with other revenues, like interest and general entitlements.

Governmental Activities

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Net Cost of Services		
	2018	2017	Increase
Instruction	$ 8,648,446	$ 7,924,002	$ 724,444
Pupil services	1,230,648	998,601	232,047
Administration	1,140,197	993,174	147,023
Plant services	1,348,038	1,141,217	206,821
All other services	1,236,583	780,959	455,624
Total	**$ 13,603,912**	**$ 11,837,953**	**$ 1,765,959**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $8,760,361, which is a decrease of $2,028,436 from last year (Table 4).

Table 4

	Balances and Activity			
	June 30, 2017	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2018
General Fund	$ 5,530,023	$ 13,597,322	$ 15,366,131	$ 3,761,214
Building Fund	3,764,869	27,758	159,473	3,633,154
Capital Facilities Fund	518,464	170,627	471,229	217,862
Child Development	-	391,556	391,556	-
Cafeteria Fund	235,249	895,992	897,155	234,086
County School Facilities Fund	1,056	8	-	1,064
Special Reserve Fund for Capital Outlay Projects	346,412	2,452	19,500	329,364
Bond Interest and Redemption Fund	392,724	615,611	424,718	583,617
Total	**$ 10,788,797**	**$ 15,701,326**	**$ 17,729,762**	**$ 8,760,361**

The primary reasons for these changes are the following:

The decrease in the General Fund (which is reported above as a combination of General Fund, Deferred Maintenance Fund, and Special Reserve Fund for Postemployment Benefits) is primarily a result of using one-time fund balances to replace technology and transportation equipment as well as to support increased special education programs and interventions as reported in the district's LCAP.

The decrease in the Building Fund is due to the commencement of facility projects as listed in the district's existing bond measures.

The increase in the Bond Interest and Redemption Fund is based on receipts of voter-approved tax levies compared to scheduled debt service on existing bonds.

The decrease in the Capital Facilities Fund is due to expenditures of prior year funds on eligible facility projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times.

The original budget for the General Fund anticipated a net ending fund balance of $3,262,205, but the actual ending fund balance was $2,973,731.

Overall, the General Fund's actual revenues were $1,125,274 more than originally budgeted. The differences were a decline of $37,359 in LCFF sources, an increase of $178,675 in federal revenue, an increase of $398,178 in other state revenues, and $585,789 in other local revenues.

Overall, the General Fund's actual expenditures were $1,680,876 more than originally budgeted. This difference was primarily in non-personnel expenditures, including $506,291 in capital outlay and $733,057 in services and other operating expenditures.

Changes in the General Fund's ending fund balance are directly attributable to the impact of the revenue and expenditure changes highlighted above. The ending balance includes $413,545 in restricted balances, $687,430 assigned in the Special Reserve Fund for Postemployment Benefits, $100,052 assigned to a special reserve fund for Deferred Maintenance, $1,306,123 designated for economic uncertainty at 8.5 percent, $1,248,564 assigned by the Board of Trustees for specific needs, and $5,500 in revolving cash.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $16,190,742 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $501,813, or 3.2 percent, from last year (Table 5).

Table 5

	Governmental Activities		Percentage Change
	2018	2017	2017-2018
Land and construction in process	$ 990,046	$ 287,261	244.65%
Land improvements	534,676	499,390	7.07%
Buildings and improvements	13,386,064	13,763,191	-2.74%
Furniture and equipment	1,279,956	1,139,087	12.37%
Total	**$ 16,190,742**	**$ 15,688,929**	3.20%

The increase in construction in progress is due to expenditures related to several facility projects. The reduction to buildings and improvements reflects accumulated depreciation, and the increase to furniture and equipment reflects the acquisition of a new bus, retrofit of another bus, and additional technology network equipment.

Long-Term Obligations

At the end of this year, the District had $10,746,768 in long-term obligations outstanding versus $10,867,085 last year, a decrease of 1.11 percent. Long-term obligations consisted of:

Table 6

	Governmental Activities		Percentage Change
	2018	(as restated) 2017	2017-2018
General obligation bonds	$ 9,869,175	$ 9,941,603	-0.73%
Bond issue premium	301,469	317,950	-5.18%
Compensated absences	65,616	58,888	11.43%
Net other postemployment benefits (OPEB) liability	510,508	548,644	-6.95%
Total	**$ 10,746,768**	**$ 10,867,085**	-1.11%

We present more detailed information regarding our long-term obligations in Note 8 to the financial statements.

Net Pension Liability (NPL)

The District had an outstanding pension liability of $13,000,505, and $11,991,154, as of June 30, 2018 and 2017, respectively, as a result of the adoption of GASB Statement No. 68, *Accounting and Reporting for Pensions*. Detailed information regarding the plan is disclosed in Note 11 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Declining enrollment and increased special education program costs continue to be the largest factors posing a risk to the District's finances. Also, of concern is the increasing CalPERS and CalSTRS employer rates without offsetting income sources.

The District has been successful in weathering challenges faced over the last several years, through the cooperation and determination of the Board of Trustees, the superintendent, and the entire staff. This continued cooperation and sound decision making will be key to the District's continued financial health.

The District prepares a three-year projection of its General Fund several times each year. The 2018-2019 First Interim Report is prepared using information known as of December 2018. This is the first report that addresses any new factors known since budget adoption.

Salaries and Benefits: Negotiations are currently unsettled with all of the district's bargaining units for 2018-2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Jason Provence, Superintendent, at Cascade Union Elementary School District, Anderson, California, 96007, (530) 378-7000, or e-mail at jason.provence@cuesd.com.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 8,481,557
Receivables	947,341
Stores inventories	18,787
Capital assets	
Land and construction in progress	990,046
Other capital assets	23,011,178
Less: Accumulated depreciation	(7,810,482)
Total Capital Assets	16,190,742
Total Assets	25,638,427
DEFERRED OUTFLOW OF RESOURCES	
Deferred charge on refunding	277,224
Deferred outflows of resources related to pensions	4,150,386
Total Deferred Outflows of Resources	4,427,610
LIABILITIES	
Overdrafts	26,612
Accounts payable	660,712
Accrued interest payable	88,038
Long-term obligations	
Current portion of long-term obligations other than pensions	230,040
Non-current portion of long-term obligations other than pensions	10,516,728
Total Long-Term Obligations	10,746,768
Aggregate net pension liability	13,000,505
Total Liabilities	24,522,635
DEFERRED INFLOW OF RESOURCES	
Deferred inflows of resources related to pensions	1,445,362
NET POSITION	
Net investment in capital assets	10,629,946
Restricted for:	
Debt service	495,579
Capital projects	218,926
Educational programs	413,545
Other activities	215,299
Unrestricted (deficit)	(7,875,255)
Total Net Position	$ 4,098,040

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 9,810,360	$ 67,350	$ 2,382,152	$ (7,360,858)
Instruction-related activities:				
Supervision of instruction	369,489	238	93,337	(275,914)
Instructional library, media, and technology	217,563	-	-	(217,563)
School site administration	863,797	99	69,587	(794,111)
Pupil services:				
Home-to-school transportation	636,893	434	1,209	(635,250)
Food services	915,313	44,200	696,746	(174,367)
All other pupil services	767,395	564	345,800	(421,031)
Administration:				
Data processing	270,065	44,882	120,503	(104,680)
All other administration	1,145,946	2,315	108,114	(1,035,517)
Plant services	1,381,355	156	33,161	(1,348,038)
Ancillary services	45,898	-	-	(45,898)
Community services	117,790	-	5,377	(112,413)
Interest on long-term obligations	370,940	-	-	(370,940)
Other outgo	62,575	-	-	(62,575)
Depreciation (unallocated) [1]	644,757	-	-	(644,757)
Total Governmental Activities	$ 17,620,136	$ 160,238	$ 3,855,986	(13,603,912)

General revenues and subventions:	
Property taxes, levied for general purposes	2,657,041
Property taxes, levied for debt service	614,976
Taxes levied for other specific purposes	67,989
Federal and State aid not restricted to specific purposes	7,870,799
Interest and investment earnings	68,190
Interagency revenues	97,296
Miscellaneous	391,273
Subtotal, General Revenues and Subventions	11,767,564
Change in Net Position	(1,836,348)
Net Position - Beginning, as restated	5,934,388
Net Position - Ending	$ 4,098,040

[1] This amount excludes any depreciation that is included in the direct expenses of the various programs.

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 3,354,671	$ 3,835,364	$ 337,634
Receivables	706,572	-	-
Due from other funds	108,783	-	-
Stores inventories	-	-	-
Total Assets	$ 4,170,026	$ 3,835,364	$ 337,634
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ -
Accounts payable	394,025	146,781	119,772
Due to other funds	14,787	55,429	-
Total Liabilities	408,812	202,210	119,772
Fund Balances:			
Nonspendable	5,500	-	-
Restricted	413,545	3,633,154	217,862
Assigned	2,036,046	-	-
Unassigned	1,306,123	-	-
Total Fund Balances	3,761,214	3,633,154	217,862
Total Liabilities and Fund Balances	$ 4,170,026	$ 3,835,364	$ 337,634

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

Non-Major Governmental Funds	Total Governmental Funds
$ 953,888	$ 8,481,557
240,769	947,341
70,216	178,999
18,787	18,787
$ 1,283,660	$ 9,626,684
$ 26,612	$ 26,612
134	660,712
108,783	178,999
135,529	866,323
18,787	24,287
799,980	5,064,541
329,364	2,365,410
-	1,306,123
1,148,131	8,760,361
$ 1,283,660	$ 9,626,684

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 8,760,361**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	$ 24,001,224	
Accumulated depreciation is:	(7,810,482)	
Net Capital Assets		16,190,742
Deferred charge on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		277,224
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(88,038)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and are not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	1,204,541	
Net change in proportionate share of net pension liability	360,422	
Difference between projected and actual earnings on pension plan investments	161,938	
Differences between expected and actual experience in the measurement of the total pension liability	198,473	
Changes of assumptions	2,225,012	
Total Deferred Outflows of Resources Related to Pensions		4,150,386

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and are not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	$ (1,023,577)	
Difference between projected and actual earnings on pension plan investments	(221,567)	
Differences between expected and actual experience in the measurement of the total pension liability	(145,103)	
Changes of assumptions	(55,115)	
Total Deferred Inflows of Resources Related to Pensions		$ (1,445,362)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(13,000,505)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	9,169,705	
Premium on issuance	301,469	
Compensated absences (vacations)	65,616	
Net other postemployment benefits (OPEB) liability	510,508	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	699,470	
Total Long-Term Obligations		(10,746,768)
Total Net Position - Governmental Activities		**$ 4,098,040**

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	$ 10,150,804	$ -	$ -
Federal sources	1,136,232	-	-
Other State sources	916,095	-	-
Other local sources	1,394,191	27,758	170,627
Total Revenues	13,597,322	27,758	170,627
EXPENDITURES			
Current			
Instruction	9,291,465	-	-
Instruction-related activities:			
Supervision of instruction	353,085	-	-
Instructional library, media, and technology	210,377	-	-
School site administration	799,139	-	-
Pupil services:			
Home-to-school transportation	845,749	-	-
Food services	1,240	-	-
All other pupil services	751,974	-	-
Administration:			
Data processing	297,666	-	-
All other administration	1,048,273	-	11,423
Plant services	1,318,237	-	-
Ancillary services	45,898	-	-
Community services	113,270	-	-
Other outgo	62,575	-	-
Facility acquisition and construction	214,479	160,973	459,806
Debt Service			
Principal	-	-	-
Interest and other	-	(1,500)	-
Total Expenditures	15,353,427	159,473	471,229
Excess (Deficiency) of Revenues Over Expenditures	(1,756,105)	(131,715)	(300,602)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(12,704)	-	-
Net Financing Sources (Uses)	(12,704)	-	-
NET CHANGE IN FUND BALANCES	(1,768,809)	(131,715)	(300,602)
Fund Balances - Beginning	5,530,023	3,764,869	518,464
Fund Balances - Ending	$ 3,761,214	$ 3,633,154	$ 217,862

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 10,150,804
688,940	1,825,172
394,828	1,310,923
809,147	2,401,723
1,892,915	15,688,622
246,355	9,537,820
-	353,085
-	210,377
40,721	839,860
-	845,749
895,809	897,049
-	751,974
-	297,666
66,524	1,126,220
39,302	1,357,539
-	45,898
-	113,270
-	62,575
19,500	854,758
212,170	212,170
212,548	211,048
1,732,929	17,717,058
159,986	(2,028,436)
12,704	12,704
-	(12,704)
12,704	-
172,690	(2,028,436)
975,441	10,788,797
$ 1,148,131	$ 8,760,361

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ (2,028,436)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceed depreciation in the period.		
Capital outlay	$ 1,146,570	
Depreciation expense	(644,757)	
Net Expense Adjustment		501,813
In the Statement of Activities - compensated absences (vacations) 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). Vacation earned was more than the amounts used by $6,728.		(6,728)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(393,411)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the net OPEB liability during the year.		38,136
Repayment of general obligation bonds is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect Statement of Activities:		212,170

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 16,481	
Amortization of deferred charge on refunding	(23,102)	
Combined Adjustment		$ (6,621)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by $13,529, and second, $139,742 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(153,271)
Change in Net Position of Governmental Activities		**$ (1,836,348)**

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

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Warrant Pass-Through Fund	Associated Student Body	Total Agency Funds
ASSETS			
Deposits and investments	$ 135,881	$ 26,334	$ 162,215
Receivables	68	-	68
Total Assets	$ 135,949	$ 26,334	$ 162,283
LIABILITIES			
Accounts payable	$ 2,520	$ -	$ 2,520
Due to student groups	133,429	26,334	159,763
Total Liabilities	$ 135,949	$ 26,334	$ 162,283

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Cascade Union Elementary School District (the District) was organized in 1949 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, and one community day school.

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, boards, and agencies that are not legally separate from the District. For Cascade Union Elementary School District, this includes general operations, food service, and student related activities of the District.

Other Related Entities

Charter School The District has approved a Charter for the Tree of Life International Charter School pursuant to *Education Code* Section 47605. The Charter School is operated independently and is not considered a component unit of the District. The District receives revenue on behalf of the Charter School which it passes on to the Charter.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in revenues and fund balance of $55,008 and $787,483, respectively.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

Non-Major Governmental Funds

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

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds Debt Service funds are used to account for the accumulation of resources for, and the payment of principal and interest of, general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for payroll-related withholdings and student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activitie*s, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available generally means expected to be received within ninety days of fiscal year-end. However to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Certain grants received before the eligibility requirements are met 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.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expandable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated, if applicable.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/ infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Compensated Absences

Compensated absences are accrued as a liability and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $1,343,349 of restricted net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charge on the refunding of general obligation bonds, and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the pension related items.

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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, the MPP 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.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2017-2018, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 8.50 percent of General Fund expenditures and other financing uses.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

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.

The District has implemented the provisions of this Statement as of June 30, 2018.

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;
- 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; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$	8,481,557
Fiduciary funds		162,215
Total Deposits and Investments	$	8,643,772

Deposits and investments as of June 30 2018 consist of the following:

Cash on hand and in banks	$	26,334
Cash in revolving		5,500
Investments		8,611,938
Total Deposits and Investments	$	8,643,772

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Shasta County Treasury Investment Pools. The pools purchase shorter term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of $8,611,938 with the Shasta County Treasury Investment Pool. The average weighted maturity of this pool was 349 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with Shasta County Treasury Investment Pool are currently not rated, nor is required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District had no bank balances that were exposed to custodial credit risk.

NOTE 3 - 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 data 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 Shasta 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.

Investment Type	Reported Amount	Uncategorized
Shasta County Treasury Investment Pool	$ 8,611,938	$ 8,611,938

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government				
Categorical aid	$ 227,434	$ 101,894	$ 329,328	$ -
State Government				
LCFF apportionment	33,396	-	33,396	-
Categorical aid	-	68,753	68,753	-
Lottery	104,825	-	104,825	-
Local Government				
Interest	2,488	-	2,488	-
Special education (SELPA)	209,328	-	209,328	-
Educational entities	99,308	66,287	165,595	68
Other Local Sources	29,793	3,835	33,628	-
Total	$ 706,572	$ 240,769	$ 947,341	$ 68

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 186,200	$ -	$ -	$ 186,200
Construction in process	101,061	818,406	115,621	803,846
Total Capital Assets Not Being Depreciated	287,261	818,406	115,621	990,046
Capital Assets Being Depreciated				
Land improvements	1,023,468	19,500	-	1,042,968
Buildings and improvements	19,216,314	80,552	-	19,296,866
Furniture and equipment	2,382,599	343,733	54,988	2,671,344
Total Capital Assets Being Depreciated	22,622,381	443,785	54,988	23,011,178
Less Accumulated Depreciation				
Land improvements	524,078	45,266	-	569,344
Buildings and improvements	5,453,123	396,627	-	5,849,750
Furniture and equipment	1,243,512	202,864	54,988	1,391,388
Total Accumulated Depreciation	7,220,713	644,757	54,988	7,810,482
Governmental Activities Capital Assets, Net	$ 15,688,929	$ 617,434	$ 115,621	$ 16,190,742

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Unallocated	$ 644,757

NOTE 6 - INTERFUND TRANSACTIONS

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ -	$ 108,783	$ 108,783
Non- Major Governmental Funds	14,787	55,429	-	70,216
Total	$ 14,787	$ 55,429	$ 108,783	$ 178,999

The balance of $59,440 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from the transfer of maintenance and operations expenditures.

The balance of $49,343 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from the reimbursement of indirect cost charges.

The balance of $14,203 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from the General Fund's contribution to child development programs.

The balance of $584 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from the allocation of other post-employment benefits to District programs.

The balance of $55,429 due to the Bond Interest and Redemption Non-Major Governmental Fund from the Building Fund resulted from a misposting of bond proceeds upon issue in a prior year.

Operating Transfers

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

	Transfer From
Transfer To	General Fund
Non-Major Governmental Funds	$ 12,704

The General Fund transferred a contribution to the Child Development Non-Major Governmental Fund.	$ 11,114
The General Fund reimbursed the Cafeteria Fund Non-Major Governmental Fund for expenditures.	1,590
Total	$ 12,704

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Supplies and services	$ 311,318	$ -	$ 825	$ 90	$ 312,233	$ -
Salaries and benefits	49,063	-	-	44	49,107	-
LCFF apportionment	9,507	-	-	-	9,507	-
Capital outlay	24,137	146,781	118,947	-	289,865	2,520
Total	$ 394,025	$ 146,781	$ 119,772	$ 134	$ 660,712	$ 2,520

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	(as restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 9,941,603	$ 139,742	$ 212,170	$ 9,869,175	$ 230,040
Premium on issuance	317,950	-	16,481	301,469	-
Compensated absences	58,888	6,728	-	65,616	-
Net other postemployment benefits (OPEB) liability	548,644	-	38,136	510,508	-
	$ 10,867,085	$ 146,470	$ 266,787	$ 10,746,768	$ 230,040

Payments on the general obligation bonds are made by the bond interest and redemption fund with local revenues. The compensated absences and net other postemployment benefits (OPEB) liability will be paid by the fund for which the employee worked.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	(as restated) Bonds Outstanding July 1, 2017	Accreted	Redeemed	Bonds Outstanding June 30, 2018
6-3-2009	8-1-2033	4.00% - 12.00%	$ 3,497,733	$ 566,329	$ 41,570	$ 55,000	$ 552,899
10-31-2012	8-1-2043	2.00% - 5.71%	2,213,292	2,364,424	98,172	80,000	2,382,596
11-2-2016	8-1-2029	1.87%	3,010,850	3,010,850	-	77,170	2,933,680
4-12-2017	8-1-2046	2.00% - 5.00%	4,000,000	4,000,000	-	-	4,000,000
				$ 9,941,603	$ 139,742	$ 212,170	$ 9,869,175

General Obligation Bonds, 2008 Election, Series A

On June 3, 2009, the District issued $3,497,733 of General Obligation Bonds, 2008 Election, Series A. The bonds were issued as both current and capital appreciation bonds, with the value of the capital appreciation bonds accreting to a final maturity value of $1,930,000, and an aggregate principal debt balance of $5,290,000. The bonds have a final maturity to occur on August 1, 2033, with interest rates of 4.0 percent to 12.0 percent. Proceeds from the sale of the bonds were used to acquire, expand, and construct school facilities. During the 2016-2017 fiscal year, proceeds form 2016 General Obligation Refunding Bonds were used to provide partial refunding of the current interest bonds outstanding. As of June 30, 2018, bonds totaling $552,899 were still outstanding. Unamortized premium on bond issuance amounted to $187,256 as of June 30, 2018.

General Obligation Bonds, 2008 Election, Series B

On October 31, 2012, the District issued $2,213,292 General Obligation Bonds, 2008 Election, Series B. The bonds were issued as both current and capital appreciation bonds, with the value of the capital appreciation bonds accreting to a final maturity value of $6,615,000, and an aggregate principal debt balance of $7,480,000. The bonds have a final maturity to occur on August 1, 2043, with interest rates of 2.0 percent to 5.71 percent. Proceeds from the sale of the bonds were used to acquire, repair, and improve school facilities. As of June 30, 2018, bonds totaling $2,382,596 were still outstanding. Unamortized premium on bond issuance amounted to $10,604 as of June 30, 2018.

2016 General Obligation Refunding Bonds

On November 2, 2016, the Cascade Union Elementary School District issued 2016 General Obligation Refunding Bonds in the amount of $3,010,850. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of $2,912,348 (representing the principal amount of $3,010,850, less cost of issuance of $98,502). The bonds have a final maturity which occurs on August 1, 2029 with an interest rate of 1.87 percent. Proceeds from the sale of the bonds were used to provide refunding of $2,625,000 in current interest bonds associated with the District's General Obligation Bonds, 2008 Election, Series A. As of June 30, 2018, the principal balance outstanding was $2,933,680 and deferred change on refunding was $277,224.

General Obligation Bonds, 2016 Election, Series A

On April 12, 2017, the Cascade Union Elementary School District issued $4,000,000 of General Obligation Bonds, 2016 Election, Series A. The bonds represent the first in a series of bonds not to exceed $8,900,000. The bonds were issued as current interest bond. The bonds were issued at an aggregate price of $3,906,752 (representing the principal amount of $4,000,000, plus an original issue premium of $107,181, less costs of issuance of $200,429). The bonds have a final maturity which occurs on August 1, 2046 with an interest rates ranging from 2.00 to 5.00 percent. Proceeds from the sale of the bonds will be used to acquire, repair, and improve school facilities. As of June 30, 2018, the principal balance outstanding was $4,000,000. Unamortized premium on bond issuance amounted to $103,609 as of June 30, 2018.

Debt Service Requirements to Maturity

The bonds mature through 2047 as follows:

Fiscal Year	Principal	Accreted Interest	Current Interest to Maturity	Total
2019	$ 230,040	$ -	$ 351,515	$ 581,555
2020	416,070	-	283,401	699,471
2021	232,320	-	215,790	448,110
2022	253,580	-	210,597	464,177
2023	269,620	-	205,112	474,732
2024-2028	1,628,170	-	934,590	2,562,760
2029-2033	1,630,558	1,113,322	751,501	3,495,381
2034-2038	1,656,109	1,938,891	622,613	4,217,613
2039-2043	1,255,000	-	387,815	1,642,815
2044-2047	2,297,708	3,307,292	98,532	5,703,532
Total	$ 9,869,175	$ 6,359,505	$ 4,061,466	$ 20,290,146

Compensated Absences

The compensated absences (vacation) for the District as June 30, 2018, amounted to $65,616.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
District Plan	$ 441,990	$ 20,558
Medicare Premium Payment (MPP) Program	68,518	17,578
Total	$ 510,508	$ 38,136

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Management of the Plan is vested in the District management.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	17
Active employees	76
	93

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, subject to annual caps of $3,600, and $3,000, for certificated and classified employees, respectively. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the District are established and may be amended by the Anderson Cascade Teachers Association (ACTA), the local California Service Employees Association (CSEA), the local General Teamsters, Professional, Health Care and Public Employees Union (Union), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, ACTA, CSEA, the Union, and the unrepresented groups. For fiscal year 2017-2018, the District paid $50,843 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $441,990 was measured as of June 30, 2018, and the total OPEB liability used to calculate the Total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	3.60	percent
Healthcare cost trend rates	8.00	percent for 2017-2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100 percent of scale MP-2016 for years 2014 through 2029, 50 percent of MP-2016 for years 2030 through 2049, and 20 percent of MP-2016 for 2050 and thereafter. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2018, valuation were based on actual plan experience through July 1, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 462,548
Service cost	14,043
Interest	16,242
Benefit payments	(50,843)
Net change in total OPEB liability	(20,558)
Balance at June 30, 2018	$ 441,990

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 percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.60%)	$ 462,151
Current discount rate (3.60%)	441,990
1% increase (4.60%)	422,583

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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (7.00%)	$ 441,990
Current healthcare cost trend rate (8.00%)	441,990
1% increase (9.00%)	441,990

The amounts do not vary for the three sets of trend rates because the District's contribution is a frozen dollar cap that is always exceeded.

OPEB Expense related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $20,558.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment 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 MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

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

Net OPEB Liability and OPEB Expense

At June 30, 2018, the District reported a liability of $68,518, for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0163 percent, and 0.0184 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $17,578.

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, 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 now 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 the 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, 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 and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

The following presents the District's proportionate share of the net OPEB liability 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 OPEB Liability
1% decrease (2.58%)	$ 75,854
Current discount rate (3.58%)	68,518
1% increase (4.58%)	61,382

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 61,916
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	68,518
1% increase (4.7% Part A and 5.1% Part B)	75,053

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 5,500	$ -	$ -	$ -	$ 5,500
Stores inventories	-	-	-	18,787	18,787
Total Nonspendable	5,500	-	-	18,787	24,287
Restricted					
Legally restricted programs	413,545	-	-	215,299	628,844
Capital projects	-	3,633,154	217,862	1,064	3,852,080
Debt services	-	-	-	583,617	583,617
Total Restricted	413,545	3,633,154	217,862	799,980	5,064,541
Assigned					
Future deficit spending	1,248,564	-	-	-	1,248,564
Retiree benefits	687,430	-	-	-	687,430
Deferred maintenance	100,052	-	-	-	100,052
Capital projects	-	-	-	329,364	329,364
Total Assigned	2,036,046	-	-	329,364	2,365,410
Unassigned					
Reserve for economic uncertainties	1,306,123	-	-	-	1,306,123
Total	$ 3,761,214	$ 3,633,154	$ 217,862	$ 1,148,131	$ 8,760,361

NOTE 10 - 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 contracted with the Self-Insured Schools of California II (SISC II) entity risk pool for property and liability insurance coverage.

Workers' Compensation

For fiscal year 2018, the District participated in Self-Insured Schools of California I (SISC I) entity risk pool. The intent of SISC I is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SISC I. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SISC I. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

During fiscal year 2018, the District contracted with the Self-Insured Schools of California III (SISC III) entity risk pool to provide employee health benefits. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts.

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic 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	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 8,319,335	$ 2,525,515	$ 1,249,566	$ 746,529
CalPERS	4,681,170	1,624,871	195,796	851,423
Total	$ 13,000,505	$ 4,150,386	$ 1,445,362	$ 1,597,952

The details of each plan are as follows:

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 percent of final compensation for each year of credited service.

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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 percent 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 $767,387.

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

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

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 8,319,335
State's proportionate share of the net pension liability associated with the District	4,921,648
Total	$ 13,240,983

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 proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0090 percent and 0.0103 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2018, the District recognized pension expense of $746,529. In addition, the District recognized pension expense and revenue of $95,166, for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 767,387	$ -
Net change in proportionate share of net pension liability	186,108	882,896
Differences between projected and actual earnings on pension plan investments	-	221,567
Differences between expected and actual experiences in the measurement of the total pension liability	30,766	145,103
Changes of assumptions	1,541,254	-
Total	$ 2,525,515	$ 1,249,566

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ (184,197)
2020	139,382
2021	20,099
2022	(196,851)
Total	$ (221,567)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ 119,683
2020	119,683
2021	119,683
2022	119,682
2023	136,549
Thereafter	114,849
Total	$ 730,129

Actuarial Methods and Assumptions

Total pension liability for STRP 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
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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 (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 12,215,425
Current discount rate (7.10%)	8,319,335
1% increase (8.10%)	5,157,394

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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly 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 provide 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	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	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. 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 $437,154.

Pension Liabilities, Pension Expense, 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 $4,681,170. 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 proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0196 percent and 0.0184 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized pension expense of $851,423. 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	$ 437,154	$ -
Net change in proportionate share of net pension liability	174,314	140,681
Difference between projected and actual earnings on pension plan investments	161,938	-
Difference between expected and actual experiences in the measurement of the total pension liability	167,707	-
Changes of assumptions	683,758	55,115
Total	$ 1,624,871	$ 195,796

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	$ (4,386)
2020	186,840
2021	68,161
2022	(88,677)
Total	$ 161,938

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ 278,923
2020	267,043
2021	284,017
Total	$ 829,983

Actuarial Methods and Assumptions

Total pension liability for the 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%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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 (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic 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%
Global debt securities	19%	2.27%
Inflation assets	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 percent. 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%)	$ 6,887,501
Current discount rate (7.15%)	4,681,170
1% increase (8.15%)	2,850,833

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 social security as its alternative plan.

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 $400,245 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Operating Leases

The District has entered into an operating lease for copy machines with lease terms in excess of one year. This arrangement does not contain a purchase option. The agreement carries a termination clause providing for cancellation after a specified number of days written notice to the lessor, but it is unlikely that the District will cancel the agreement prior to the expiration date. Future minimum lease payments under the agreement is as follows:

Year Ending June 30,	Lease Payment
2019	$ 52,679
2020	52,679
2021	52,679
2022	52,679
2023	4,390
Total	$ 215,106

The District will receive no sublease rental revenues for this equipment. Rental expenditures for the year ended June 30, 2018, amounted to $44,540.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to unfinished capital projects.

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Meadow Lane ES - Portable Move	$ 475,366	12/11/18
Meadow Lane ES - Roofing - GO Bond	150,959	08/16/18
Anderson MS - HVAC	69,683	08/25/18
Meadow Lane ES - HVAC	64,245	08/25/18
Anderson MS - Baseball/Softball Field Engineering	33,580	*
Meadow Lane ES - Multi-Purpose Building - GO Bond	7,245	*
Anderson Heights ES - Paving - GO Bond	2,769	10/19/18
	$ 803,846	

* Completion date to be determined

NOTE 14 - FCMAT AB 139 STUDY

The Shasta Office of Education and the Fiscal Crisis and Management Assistance Team (FCMAT) have entered into an agreement to conduct an AB 139 Extraordinary Audit of the Cascade Union Elementary School District in accordance with *Education Code* Section 1241.5 (b). The county superintendent received allegations regarding the District and has requested that FCMAT review the policies, procedures, and internal controls of the District specific to the allegations. The FCMAT AB 139 Study will occur subsequent to the issuance of the audit report.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

Certain items that occurred in the prior year net position and fund balance have been restated as of June 30, 2017 to more accurately reflect the substance of the underlying transactions. The following table lists the reasons for the restatement:

Statement of Net Position		
Net Position - Beginning	$	5,821,769
Adjustment to pension-related deferred outflows		580,691
Adjustment to pension-related deferred inflows		255,094
Adjustment to net pension liability		(269,043)
Adjustment to bond premiums and accreted interest on capital appreciation bonds		51,692
Net Position - Beginning as restated	$	6,440,203

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPAL

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position		
Net Position - Beginning (Note 15)	$	6,440,203
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75		(505,815)
Net Position - Beginning, as restated	$	5,934,388

REQUIRED SUPPLEMENTARY INFORMATION

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 10,138,172	$ 10,077,219	$ 10,150,804	$ 73,585
Federal sources	957,557	1,053,208	1,136,232	83,024
Other State sources	517,917	738,402	916,095	177,693
Other local sources	803,394	1,374,930	1,394,191	19,261
Total Revenues [1]	12,417,040	13,243,759	13,597,322	353,563
EXPENDITURES				
Current				
Certificated salaries	5,604,777	5,514,700	5,531,230	(16,530)
Classified salaries	2,486,054	2,497,181	2,517,337	(20,156)
Employee benefits	3,172,842	3,213,499	3,339,996	(126,497)
Books and supplies	421,039	651,797	735,502	(83,705)
Services and operating expenditures	1,993,961	3,066,284	2,727,018	339,266
Other outgo	(6,122)	(3,804)	(3,948)	144
Capital outlay	-	878,324	506,292	372,032
Total Expenditures [1]	13,672,551	15,817,981	15,353,427	464,554
Excess (Deficiency) of Revenues Over Expenditures	(1,255,511)	(2,574,222)	(1,756,105)	818,117
Other Financing Uses				
Transfers out	(5,850)	(17,590)	(12,704)	4,886
NET CHANGE IN FUND BALANCE	(1,261,361)	(2,591,812)	(1,768,809)	823,003
Fund Balance - Beginning	5,530,023	5,530,023	5,530,023	-
Fund Balance - Ending	$ 4,268,662	$ 2,938,211	$ 3,761,214	$ 823,003

[1] On behalf payments of $400,245 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures; however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 14,043
Interest	16,242
Benefit payments	(50,843)
Net change in total OPEB liability	(20,558)
Total OPEB liability - beginning	462,548
Total OPEB liability - ending	$ 441,990
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.0163%
District's proportionate share of the net OPEB liability	$ 68,518
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] 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.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0090%	0.0103%
District's proportionate share of the net pension liability	$ 8,319,335	$ 8,366,037
State's proportionate share of the net pension liability associated with the District	4,921,648	4,762,635
Total	$ 13,240,983	$ 13,128,672
District's covered - employee payroll	$ 5,207,102	$ 4,896,430
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	159.77%	170.86%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.0196%	0.0184%
District's proportionate share of the net pension liability	$ 4,681,170	$ 3,634,011
District's covered - employee payroll	$ 2,211,860	$ 2,191,216
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	211.64%	165.84%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.0107%	0.0110%
$ 7,405,640	$ 6,428,070
2,561,833	2,420,168
$ 9,967,473	$ 8,848,238
$ 4,767,513	$ 4,977,144
155.34%	129.15%
74%	77%
0.0198%	0.0192%
$ 2,918,540	$ 2,179,667
$ 2,011,596	$ 2,185,291
145.09%	99.74%
79%	83%

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 767,387	$ 617,447
Contributions in relation to the contractually required contribution	(767,387)	(617,447)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 5,317,997	$ 5,207,102
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 437,154	$ 347,925
Contributions in relation to the contractually required contribution	(437,154)	(347,925)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 2,814,719	$ 2,211,860
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
$ 558,722	$ 434,803
(558,722)	(434,803)
$ -	$ -
$ 4,896,430	$ 4,767,513
10.73%	8.88%
$ 262,039	$ 257,928
(262,039)	(257,928)
$ -	$ -
$ 2,191,216	$ 2,011,596
11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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.

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

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

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

Change in Benefit Terms – There were no changes in benefit terms.

Change of Assumptions – There were no changes of assumptions.

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

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

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

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

***Changes in Benefit Terms* –** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
No Child Left Behind Act (NCLB)			
Title I, Part A - Low Income and Neglected	84.010	14329	$ 735,018
Title II, Part A - Supporting Effective Instruction	84.367	14341	93,100
Title III - English Learner Student Program	84.365	14346	13,335
Passed through Shasta County SELPA			
Individuals with Disabilities Education Act (IDEA)			
Local Assistance Entitlements	84.027A	13379	219,966
Total U.S. Department of Education			1,061,419
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	41,265
Total U.S. Department of Health and Human Services			41,265
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	459,928
Especially Needy Breakfast Program	10.553	13390	139,805
Meal Supplements	10.555	13666	9,326
Food Distribution	10.555	13396	37,236
Subtotal Child Nutrition Cluster			646,295
Child and Adult Care Food Program	10.558	13393	42,646
Forest Reserve Fund	10.665	10044	31,702
Total U.S. Department of Agriculture			720,643
Total Federal Programs			$ 1,823,327

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Cascade Union Elementary School District (the District) was established in 1949 and comprises an area located in Shasta County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools, one middle school, and one community day school.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Les McMullen	President	2018
Michael Costa	Vice President	2020
Helen Ciaramella	Clerk	2018
James Carroll	Member	2020
Terri Quigley	Member	2020

ADMINISTRATION

Jason Provence	District Superintendent
Brennem Miller	Chief Business Official

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	431.04	432.38
Fourth through sixth	320.17	320.31
Seventh and eighth	222.60	223.44
Total Regular ADA	973.81	976.13
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.40	1.49
Fourth through sixth	6.38	6.39
Seventh and eighth	0.19	0.34
Total Special Education, Nonpublic, Nonsectarian Schools	7.97	8.22
Community Day School		
Transitional kindergarten through third	5.95	5.75
Fourth through sixth	3.39	3.96
Seventh and eighth	2.88	2.89
Total Community Day School	12.22	12.60
Total ADA	994.00	996.95

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	54,420	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,885	180	N/A	Complied
Grade 2		51,885	180	N/A	Complied
Grade 3		51,650	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,940	180	N/A	Complied
Grade 5		56,940	180	N/A	Complied
Grade 6		60,570	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,570	180	N/A	Complied
Grade 8		60,570	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	(as restated) 2017	(as restated) 2016
GENERAL FUND [3]				
Revenues	$ 13,337,593	$ 13,542,314	$ 13,626,729	$ 14,225,209
Expenditures	14,250,990	15,353,427	13,826,543	14,393,106
Other uses and transfers out	16,471	12,704	60,947	14,981
Total Expenditures and Other Uses	14,267,461	15,366,131	13,887,490	14,408,087
DECREASE IN FUND BALANCE	$ (929,868)	$ (1,823,817)	$ (260,761)	$ (182,878)
ENDING FUND BALANCE	$ 2,043,863	$ 2,973,731	$ 4,797,548	$ 5,058,309
AVAILABLE RESERVES [2]	$ 1,111,967	$ 1,306,123	$ 1,175,256	$ 1,159,571
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.79%	8.50%	8.46%	8.05%
LONG-TERM OBLIGATIONS [4]	N/A	$ 10,746,768	$ 10,867,085	$ 5,854,248
K-12 AVERAGE DAILY ATTENDANCE AT P-2	955	994	1,026	1,042

The General Fund balance has decreased by $2,084,578 over the past two years. The fiscal year 2018-2019 budget projects a further decrease of $929,868 (31.3 percent). For a district this size, the State recommends available reserves of at least 4 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each of the past three years and anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $4,892,520 over the past two years.

Average daily attendance has decreased by 48 over the past two years. An additional decline of 39 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.
[4] Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
Tree of Life International Charter	No

See accompanying note to supplementary information.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ -	$ 95,272	$ 1,064
Receivables	71,895	168,874	-
Due from other funds	14,203	584	-
Stores inventories	-	18,787	-
Total Assets	$ 86,098	$ 283,517	$ 1,064
LIABILITIES AND FUND BALANCES			
Liabilities			
Overdrafts	$ 26,612	$ -	$ -
Accounts payable	46	88	-
Due to other funds	59,440	49,343	-
Total Liabilities	86,098	49,431	-
Fund Balances			
Nonspendable	-	18,787	-
Restricted	-	215,299	1,064
Assigned	-	-	-
Total Fund Balances	-	234,086	1,064
Total Liabilities and Fund Balances	$ 86,098	$ 283,517	$ 1,064

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects		Bond Interest and Redemption Fund		Total Non-Major Governmental Funds	
$	329,364	$	528,188	$	953,888
	-		-		240,769
	-		55,429		70,216
	-		-		18,787
$	329,364	$	583,617	$	1,283,660
$	-	$	-	$	26,612
	-		-		134
	-		-		108,783
	-		-		135,529
	-		-		18,787
	-		583,617		799,980
	329,364		-		329,364
	329,364		583,617		1,148,131
$	329,364	$	583,617	$	1,283,660

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 42,646	$ 646,294	$ -
Other State sources	336,291	48,166	-
Other local sources	1,505	199,942	8
Total Revenues	380,442	894,402	8
EXPENDITURES			
Current			
Instruction	246,355	-	-
Instruction-related activities:			
School site administration	40,721	-	-
Pupil services:			
Food services	46,164	849,645	-
Administration:			
All other administration	22,014	44,510	-
Plant services	36,302	3,000	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	391,556	897,155	-
Excess (Deficiency) of Revenues Over Expenditures	(11,114)	(2,753)	8
Other Financing Sources			
Transfers in	11,114	1,590	-
NET CHANGE IN FUND BALANCES	-	(1,163)	8
Fund Balances - Beginning	-	235,249	1,056
Fund Balances - Ending	$ -	$ 234,086	$ 1,064

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	$ 688,940
-	10,371	394,828
2,452	605,240	809,147
2,452	615,611	1,892,915
-	-	246,355
-	-	40,721
-	-	895,809
-	-	66,524
-	-	39,302
19,500	-	19,500
-	212,170	212,170
-	212,548	212,548
19,500	424,718	1,732,929
(17,048)	190,893	159,986
-	-	12,704
(17,048)	190,893	172,690
346,412	392,724	975,441
$ 329,364	$ 583,617	$ 1,148,131

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides 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 consist primarily of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 1,825,172
Medi-Cal Billing Option	93.778	(1,845)
Total Schedule of Expenditures of Federal Awards		$ 1,823,327

Local Education Agency Organization Structure

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

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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded 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.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 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.

Schedule of Charter Schools

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Cascade Union Elementary School District
Anderson, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cascade Union Elementary School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cascade Union Elementary School District's basic financial statements, and have issued our report thereon dated February 4, 2019.

Emphasis of Matter – Correction of Error

As discussed in Note 15 to the financial statements, there were certain items that occurred in the prior year net position and fund balances have been restated as of June 30, 2017, to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cascade Union Elementary 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 Cascade Union Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cascade Union Elementary School District's internal control.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of financial statement findings as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Cascade Union Elementary School District in a separate letter dated February 4, 2019.

Cascade Union Elementary School District's Response to Findings

Cascade Union Elementary School District's response to the findings identified in our audit are described in the accompanying schedule of financial statement findings. Cascade Union Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
February 4, 2019

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Cascade Union Elementary School District
Anderson, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 4, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Cascade Union Elementary School District
Anderson, California

Report on State Compliance

We have audited Cascade Union Elementary School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 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 Cascade Union Elementary School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Cascade Union Elementary School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Cascade Union Elementary 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 opinions. Our audit does not provide a legal determination of Cascade Union Elementary School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts and Classroom Teachers Salaries

As described in the accompanying schedule of findings and questioned costs, Cascade Union Elementary School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts and Classroom Teachers Salaries. Compliance with such requirements is necessary, in our opinion, for Cascade Union Elementary School District to comply with the requirements applicable to that program.

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Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts and Classroom Teachers Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cascade Union Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Programs

In our opinion, Cascade Union Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	Procedures Performed
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
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
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:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer an Independent Study Program; therefore, we did not perform any procedures for the Independent Study Program.

The District does not offer a Continuation Education Attendance Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High School Program; therefore, we did not perform any procedures for the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
February 4, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A - Low Income and Neglected

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

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

Unmodified for all programs except for the following programs were qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts and Classroom Teachers Salaries

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
60000	Miscellaneous

2018-001 **Code 60000**

California State Teachers Retirement System Audit

Criteria or Specific Requirements

The California State Teachers Retirement System (CalSTRS) is responsible for providing retirement benefits for teachers, for the calculation of benefit payment amounts, for receiving employee and employer contributions for the program, and for the accumulation of resources for the future payment of benefits, as detailed under State statutes. CalSTRS is authorized to audit the records of public-agencies to determine compliance with the Teachers' Retirement Law regarding information reported to CalSTRS.

Condition

Cal STRS conducted an audit of the District's salary and sick leave reporting. CalSTRS issued its report on June 20, 2018. The results of the audit yielded two findings:

1. The District incorrectly reported one-time, off-salary schedule payments.
2. The District incorrectly reported unused sick leave days.

Questioned costs

There were no questioned costs associated with this finding. However, retirees' monthly benefits payments may change as a result of any recalculation performed by CalSTRS.

Context

We noted the condition during our review of the results of the CalSTRS audit report.

Effect

The CalSTRS report notes that the District Board approved a one percent one-time, off-salary schedule payment to all employees on May 19, 2014. The Board also approved a two percent one-time, off-salary schedule payment to all employees on May 13, 2015. The District paid these one-time payments in May 2014 and May 2015, respectfully. These one-time payments were incorrectly reported by the District as special compensation to the Defined Benefit Program (DB) rather than to the Defined Benefit Supplement (DBS) Program. Since annual compensation is a component of the retirees' benefit calculation, these errors resulted in the miscalculation of the monthly benefit rate for the retiree selected for testing and any other retirees whose benefit calculation relied on these reported amounts. These errors also caused employees' and the District's contributions to the DB and DBS programs to be incorrect.

In addition, the District failed to file the *Employment Termination or Sick Leave Data Correction* Form when an employee used addition sick leave after the initial *Express Benefit Report* Form was filed. Since employees' unused sick leave balance at the retirement date is a component of the retirees' benefit calculation, this error resulted in the miscalculation of the monthly benefit rate for the retiree selected for testing and any other retirees whose leave balance changed after the initial report to CalSTRS.

Cause

The cause of the condition is unknown.

Recommendation

The District should review and implement CalSTRS requirements for the reporting of the various types of compensation provided and for the correction of data previously reported as the need arises.

Corrective Action Plan

The district will implement the requirements as specified in the final audit report.

2018-002 Code 60000

Board Minutes Retention and Access

Criteria or Specific Requirements

Minutes recording actions of the Governing Board at public meetings are considered permanent records of the District. The minutes of meetings of the Governing Board provide an official record of the Board's activities regarding salaries, benefits, staffing levels, contracts, capital projects, other general expenditures, debt issues, monitoring of deficit spending/adherence to budgets, changes to policies and procedures, and compliance with various state and federal funding source requirements, as well as all educational and community issues outside of the scope of this audit. The minutes should reflect actions taken during open sessions and note the reporting of any actions taken during closed sessions.

The California Association of School Business Officials (CASBO) Records Retention Manual recommends that printed copies of Board meeting minutes be kept for four years and that electronic copies be maintained in perpetuity.

Condition

The District does not have an official printed set of Governing Board meeting minutes on hand for review. Additionally, Board meeting minutes are not available via a link on the District website.

Questioned costs

There are no questioned costs associated with this finding.

Context

We noted the condition during our review of Board approvals for various employment-related issues.

Effect

Members of the public and other interested parties must request copies of Board meeting minutes from District administration. There is a lack of transparency in the current situation as it is difficult to determine the official record of the Board's actions, specifically regarding changes to positions, salaries and hiring; contract approvals; and changes to the District's policies and procedures.

Cause

The cause of the condition is unknown.

Recommendation

We recommend that the District gather copies of the Board meeting minutes as approved by the Governing Board at a subsequent meeting and maintain them in a binder. The binder can be made available for review by those who inquire about activities of the Board, ensuring that the official record is provided. In addition, we recommend that links to electronic copies of the minutes be available on the District's website.

Corrective Action Plan

The district is reorganizing its existing records of board minutes to ensure that official printed copies are readily available to the public for review.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
61000	Classroom Teacher Salaries

2018-003 Code 40000

Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states that local educational agencies should revise the submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Count submitted to the California Department of Education was inaccurate. It appears that the District failed to include three students in the Direct Certification category on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report prior to certifying.

Questioned Costs

The District under claimed the total eligible pupils by three, resulting in an increase of approximately $599 in Local Control Funding Formula (LCFF) funding.

Context

The District did not recertify the CALPADS data after State and local agencies updated the Direct Certification category subsequent to the District's original certification date but before the certification deadline. Those pupils included in the Direct Certification category are eligible for free or reduced-price meals offered by the Child Nutrition Program due to their eligibility for a program offered by another agency, and thus are included in the Total Unduplicated FRPM/EL Eligible Count. The Total Unduplicated FRPM/EL Eligible Count is a component that determines the District's funding under the LCFF.

The District identified the condition when it was determined that its unduplicated pupil percentage (UPP) on the funding apportionment exhibits differed from the UPP in the CALPADS.

Effect

The District did not recertify the CALPADS data after its initial certification to include three additional students added to the Direct Certification category by State or local agencies. This resulted in an understatement of the UPP.

District Code	Total Enrollment	Total Unduplicated FRPM/EL Eligible Count	Adjustment to FRPM	Total Adjusted Unduplicated Count
45-69914-000000	1032	881	3	884

Cause

The District certified the CALPADS data soon after the census date in October 2017 and did not revisit the data until after the certification window had closed.

Subsequent to the District's certification but prior to the certification deadline, CALPADS updated student status for the Direct Certification category. At this time, three students were added to the category.

Recommendation

The District should ensure that all information in the CALPADS is complete prior to certifying.

In addition, the District should review the Direct Certification results as they are posted monthly. This is especially important during the CALPADS data certification window. However, it is also important throughout the year, because once a student becomes eligible for free or reduced-price meals through the direct certification process, his or her eligibility remains throughout the school year, even if they no longer qualify at some time. These students' families should be notified of their children's eligibility to receive free or reduced-price meals at school due to their Direct Certification status.

Corrective Action Plan

The district will verify subsequent unduplicated student counts prior to finalizing district submissions to CALPADS.

2018-004 Code 61000

Classroom Teacher Salaries

Criteria or Specific Requirements

Education Code 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60 percent (as required for elementary districts) of total current expense of the district, as calculated using Form CEA of the Standardized Account Code Structure Financial Reporting Software, Version 2018.2.0 (SACS Software).

Condition

The District's current expense of education totaled $12,686,236. The District spent 58.27 percent, or $7,392,256, on classroom teacher salaries and benefits. This is below the 60 percent requirement.

Questioned Costs

The deficiency is calculated to be $219,472, or 1.73 percent of the total expense of education.

Context

We noted the deficiency in our review of Form CEA as generated from the SACS Software.

Effect

The deficiency is calculated to be $219,472, or 1.73 percent of total expense of education. Therefore, the District does not comply with *Education Code* Section 41372.

Cause

Due to the implementation of the adopted Local Control Accountability Plan, the District has spent more of its funding on support staff, instructional materials, and technology to enhance student learning and success.

Recommendation

We recommend that the District request a waiver from the Shasta County Office of Education for the 2017-2018 fiscal year.

Corrective Action Plan

The district submitted a hardship waiver request to the Shasta County Office of Education for the 2017-2018 deficiency.

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings

2017-001 61000

Criteria or Specific Requirements

California Education Code, Section 41732(b), requires the District to expend 60 percent or greater of the District's current expense of education for payment of classroom teachers' compensation.

Condition

The District is not in compliance with the required minimum percentage for payment of classroom teachers' compensation under *California Education Code*, Section 41372(b). The District's percentage of current expense of education for classroom teachers' compensation was 58.89 percent for the fiscal year ended June 30, 2017.

Effect

The current expense of education for the District was $11,296,633, and classroom teachers' compensation was $6,652,449, resulting in a deficiency of $125,393.

Cause

Unknown

Recommendation

The District should implement procedures to ensure that a minimum of 60 percent of the current expense of education is for classroom teachers' compensation. The District should deposit the deficiency of $125,393 with the County Superintendent of Schools. If no application for exemption is made, the District should add the deficiency of $125,393 to the amounts to be expended for compensation of classroom teachers during the next fiscal year.

Current Status

Not implemented; see current-year finding 2018-004.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

Governing Board
Cascade Union Elementary School District
Anderson, California

In planning and performing our audit of the financial statements of Cascade Union Elementary School District (the District) for the year ended 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 financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 4, 2019 on the financial statements of Cascade Union Elementary School District.

Financial Condition

Observation

The District's trend of deficit spending must be addressed in order to prevent an inability to meet future financial obligations.

The District has engaged in deficit spending in the General Fund for the past four years, and the adopted budget for 2018-2019 included a significant deficit of approximately $930,000. This deficit would have reduced the fund balance in the General Fund by 31 percent. The 2018-2019 First Interim Budget reduces the deficit to $858,000, due to increased revenue and some reductions in expenditures. The multi-year projection included in the 2018-2019 First Interim Budget Report continue the trend of deficit spending through 2020-2021.

Average daily attendance (ADA) has decreased from 1,127 in 2014-2015 to 994 for 2017-2018. The District's main source of unrestricted funding is generated by ADA, so this decrease has a significant impact on General Fund revenue. At the same time, staffing costs continue to increase. In addition to salary schedule cost-of-living adjustments, the required employer contributions to employee retirement systems continue to increase. Contributing to the problem, increased case load in the Special Education program and the increased staffing costs drive the contribution to that program higher each year.

In addition to the above, the General Fund budget varied widely within the 2017-2018 fiscal year, with deficits ranging from $1,261,000, at adoption, increasing to $2,378,000, in the First Interim Report and $2,579,000, in the Second Interim Report. The actual deficit in the General Fund at year-end was $1,823,817.

Recommendation

The District must decrease spending in order to avoid reducing its fund balance further. In addition, the District should review its budget practices to ensure that the budget in place represents the District's priorities and actual expenditures planned. Those charged with governance must monitor the District's budget-to-actual results to ensure that it can meet its obligations in the future.

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INTERNAL CONTROLS

Site Fund Raisers

Observation

The District does not have a procedure in place to approve and monitor fundraising activity conducted at the school sites or an internal control structure for such activities.

Recommendation

The District should develop policies and procedures related to fundraising activity at the school sites. Such policies should include requirements for booster clubs whose activities may appear to be operating under the authority or sponsorship of the District and/or using the District or site name. In addition, the policies and procedures should include the appropriate participation of District employees in the activities, scheduling and the number of fundraisers conducted during the school year, appropriate activities for student participation, cash collection and deposit procedures, authorization for the purchase of and responsibility for the safe storage of inventory purchased for sale, student incentives, the requirement for the completion of a sales analysis at the conclusion of the sale, and accountability for the use of profits generated.

Revolving Fund

Observation

We noted that the District Office staff did not reconcile the revolving fund account to its full imprest balance of $4,500. In addition, the Anderson Middle School revolving fund was not reconciled to its full imprest balance of $1,000.

Recommendation

The District's revolving cash funds should be reconciled at two different levels each month. First, the District should reconcile the balance reflected on the ledger (check register) to the ending bank statement balance. Second, the District should reconcile to the imprest amount established by the District by taking into account those expenditure transactions that have yet to be reimbursed. Both reconciliations should be performed on a monthly basis and be reviewed independently, preferably by an administrator with accounting knowledge, to ensure proper monitoring of the District's revolving cash transactions.

Non-Payroll Disbursements

Observation

Purchase order approval in advance of expenditures taking place demonstrates that expenditures are appropriate, planned, and included in the budget. We noted that of 40 disbursements selected for testing, 23 did not have a purchase order or other approval documentation in place prior to the invoice date. This indicates that the expenditures were made prior to approval being granted and prior to a review of the accounts to determine that sufficient funds are available.

Recommendation

All disbursements should be approved prior to the purchase transaction or service provided taking place. Disbursement procedures require multiple levels of approval depending on the nature of the disbursement. One of those approvals is from the chief business official. The CBO is responsible for reviewing account coding and ensuring that expenditures are appropriate for the District and are limited to established budgets. The District should ensure that all disbursements follow established procedures to allow for proper vetting of the nature of the disbursement and the availability of funds.

Payroll/Human Resources Process

Observation

During our audit of payroll procedures, we was noted that there is a lack of segregation of duties between Human Resources and Payroll functions. Payroll staff perform Human Resources functions by inputting employee data into the HR/Payroll system.

Recommendation

We recommend that the District review employee responsibilities and make changes to ensure proper segregation of duties between Human Resources and Payroll. Payroll personnel should not have access to Human Resources functions, and Human Resources should not have access to Payroll duties/activities in the HR/Payroll system and Human Resources staff should not have access to Payroll duties/activities.

ASSOCIATED STUDENT BODY (ASB)

Anderson Middle School

Observations

Based on our review of the ASB internal controls, we noted the following:

- Six of 26 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 17 days from the date of receipt. Delays in depositing cash collections increase the risk of loss.
- None of the deposits tested were supported by sub-receipts or logs that agree the total collected to the "Student Body Quick Deposit Form."
- ASB disbursements are not consistently approved by the student representative prior to transactions taking place. Five of eight items selected were not pre-approved by the student body.
- Bank account reconciliations prepared during the audit year were not reviewed and signed by a party other than the employee preparing the reconciliations.

- Student groups who wish to conduct fundraisers and their teacher advisors who coordinate the activities are required to complete a request and approval form. The form notes the details of the fundraiser and includes estimated revenue and costs. No such forms were filed during the audit year.
- Revenue potential forms were not used to document fund-raising activities as they occur. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
- A master ticket log is not used to account for all tickets on hand and used during the year.
- The profitability of the snack bar cannot be analyzed; procedures do not exist to substantiate the revenue generated. Sales analysis forms are not prepared to document snack bar sales. An inventory record is not maintained for merchandise purchased for sale.

Recommendations

- The ASB should make deposits at least once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
- Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount submitted should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and other adults who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person submitting the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers submit monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
- In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are approved by the three required representatives. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
- Independent review of prepared bank reconciliations should be performed by an administrator with accounting knowledge to ensure proper monitoring of the ASB activities. Upon reviewing the reconciliation, the reviewer should sign and date the reconciliation. The review process will help identify any errors that may have otherwise gone unidentified.
- Adult advisors should ensure that fundraisers have been approved in advance of the activity taking place. Revenue potential/sales analysis forms should be used to document the activity as noted in the following item.

- The revenue potential form is a vital internal control tool; it should be used to document estimated revenues and costs, and compare them to actual revenue and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to students and staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and the disposition of excess inventory at the conclusion of the activity.
- A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site, because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.
- The student body should submit a sales analysis form with every snack bar deposit, maintain a perpetual inventory of goods purchased and sold and perform a physical inventory count at least quarterly. The snack bar account should document transactions regarding the sales and purchases of the snack bar. This would allow the profitability of the snack bar to be analyzed during the year.

We will review the status of the current year comment during our next audit engagement.

VAVRINEK, TRINE, DAY + CO. LLP

Rancho Cucamonga, California
February 4, 2019

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF ANDERSON AND SHASTA COUNTY

The following information in this section of the Official Statement concerning the City of Anderson and surrounding areas is included only for the purpose of supplying general information regarding the community. The taxing power of the City of Anderson, Shasta County, the State of California, and any political subdivision thereof is not pledged to the payment of the Bonds. The Bonds are not a debt of the City of Anderson, Shasta County, the State of California, or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City of Anderson (the "**City**") is located on the west bank of the Sacramento River in the County of Shasta (the "**County**"), approximately ten miles south of Redding. The City is situated along Interstate 5 and is 150 miles north of Sacramento, the state capital.

The County. The County is located in the northern portion of the State of California (the "**State**"). The County occupies the northern reaches of the Sacramento Valley, with portions extending into the southern reaches of the Cascade Range. The County seat and largest city in the County is Redding.

Population

The following table summarizes the City, County and the State's estimated populations as of January 1 of each year from calendar year 2015 to 2019.

SHASTA COUNTY AND STATE OF CALIFORNIA
Population Estimates
(As of January 1)

	2015	2016	2017	2018	2019
Anderson	**10,297**	**10,218**	**10,240**	**10,327**	**10,431**
Redding	91,373	91,077	91,221	91,958	92,839
Shasta Lake	10,150	10,095	10,134	10,121	10,275
Unincorporated	67,184	66,484	66,553	66,520	65,228
County Total	**179,004**	**177,874**	**178,148**	**178,926**	**178,773**
State of California	**38,912,464**	**39,179,627**	**39,500,973**	**39,740,508**	**39,927,315**

Source: California Department of Finance.

Employment and Industry

The unemployment rate in the Shasta County was 6.2% in February 2019, unchanged from a revised 6.2% in January 2019, and above the year-ago estimate of 5.9%. This compares with an unadjusted unemployment rate of 4.4% for California and 4.1% for the nation during the same period.

The table below list employment by industry group for the County for the years 2014 to 2018.

REDDING METROPOLITAN STATISTICAL AREA
(Shasta County)
Annual Average Civilian Labor Force, Employment and Unemployment
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force [(1)]	74,900	74,200	74,300	74,100	74,200
Employment	67,700	68,400	69,100	69,800	70,500
Unemployment	7,200	5,800	5,200	4,300	3,700
Unemployment Rate	9.6%	7.8%	7.0%	5.8%	4.9%
Wage and Salary Employment: [(2)]					
Agriculture	900	900	900	900	1,000
Mining, Logging, and Construction	2,800	3,000	3,100	3,300	3,400
Manufacturing	2,300	2,400	2,500	2,600	2,700
Wholesale Trade	1,700	1,800	1,800	1,800	1,800
Retail Trade	8,800	9,100	9,300	9,300	9,200
Trans., Warehousing, Utilities	1,800	1,800	1,800	1,800	1,800
Information	700	700	700	700	600
Financial and Insurance	2,600	2,600	2,600	2,700	2,700
Professional and Business Services	6,000	6,300	6,800	7,000	7,500
Educational and Health Services	14,100	14,400	14,800	15,000	15,100
Leisure and Hospitality	6,600	6,700	6,700	6,800	6,700
Other Services	2,400	2,300	2,300	2,300	2,400
Federal Government	1,300	1,300	1,300	1,300	1,300
State Government	1,800	1,900	1,900	1,900	2,000
Local Government	9,500	9,500	9,700	9,900	10,000
Total All Industries [(3)]	63,200	64,500	66,000	67,100	68,100

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

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2018.

CITY OF ANDERSON
Principal Employers

Employer	Number of Employees	Percent of Total Employment
Walmart Supercenter	332	10.2%
Oak River (Rehab Specialties) Inn	188	5.8
Anderson Union High School District	205	6.3
Cascade Union Elementary School District	122	3.7
Safeway	97	3.0
City of Anderson	66	2.0
Pre-Employ.com	56	1.7
Firestorm Wildland Fire	51	1.6
Harbert Roofing	50	1.5
McDonalds	45	1.4

Source: City of Anderson, Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2018.

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Major Employers

The following table lists, in alphabetical order, without regard to the number of employees, the major employers within the County.

COUNTY OF SHASTA
Major Employers
(As of April 2019)

Employer	Location	Industry
Bethel Church	Redding	Churches
Blue Shield-California	Redding	Insurance
Bridge Bay at Shasta Lake	Redding	Resorts
Care Options Mgmt Plans-Spprtv	Redding	Health Services
Fall River School District	Burney	School Districts
Home Depot	Redding	Home Centers
J F Shea Construction Inc	Redding	Building Contractors
Macy's	Redding	Department Stores
Mayers Memorial Hosp-Burney	Burney	Clinics
Mayers Memorial Hospital	Fall River Mills	Hospitals
Mercy Healthcare North	Redding	Clinics
Mercy Medical Ctr Redding	Redding	Hospitals
North State Groc Inc-Main Ofc	Cottonwood	Grocers-Retail
Redding Lumber Transport Inc	Redding	Trucking
Shascade Community Svc	Redding	Social Service & Welfare Organizations
Shasta College	Redding	Schools-Universities & Colleges Academic
Shasta County Admin Office	Redding	Government Offices-County
Shasta Nursery	Anderson	Nurserymen
Shasta Regional Medical Ctr	Redding	Hospitals
Transportation Department	Redding	Government Offices-State
Veterans Home of California	Redding	Veterans' & Military Organizations
Vibra Hospital of Northern CA	Redding	Hospitals
Victor Treatment Ctr	Redding	Residential Care Homes
Walmart Supercenter	Redding	Department Stores
Win-River Casino	Redding	Casinos

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Median Effective Buying Income

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

The following table summarizes the total effective buying income and the median household effective buying income for the City of Anderson, County of Shasta, the State and the United States for the period 2015 through 2019.

CITY OF ANDERSON, COUNTY OF SHASTA, STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income
As of January 1, 2015 through 2019

	2015	2016	2017	2018	2019
City of Anderson	$33,878	$31,446	$33,253	$33,431	$36,924
County of Shasta	41,252	38,531	42,055	44,314	45,235
California	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc. for years 2015 through 2018; Claritas, LLC for 2019.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2013 through 2017.

CITY OF ANDERSON
Total Building Permit Valuations
Calendar Years 2013 through 2017
(valuations in thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$5,776.7	$3,858.6	$4,815.2	$9,046.4	$13,830.3
New Multi-family	0.0	452.9	0.0	7,462.7	324.0
Res. Alterations/Additions	464.4	696.7	458.8	2.233.1	283.0
Total Residential	$6,241.1	$5,008.2	$5,274.0	$16,509.1	$14,437.3
New Commercial	$335.1	$0.0	$4,779.3	$543.5	$60.7
New Industrial	25.0	0.0	0.0	0.0	0.0
New Other	190.2	212.5	196.3	1,026.7	289.8
Com. Alterations/Additions	238.6	531.8	720.7	1,247.3	1,074.3
Total Nonresidential	$788.9	$744.3	$5,696.3	$2,817.5	$1,424.8
New Dwelling Units					
Single Family	31	20	24	31	62
Multiple Family	0	2	0	51	4
TOTAL	31	22	24	82	66

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SHASTA
Total Building Permit Valuations
Calendar Years 2013 through 2017
(valuations in thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$39,750.5	$48,528.9	$66,657.1	$61,436.0	$90,758.5
New Multi-family	0.0	1,641.8	5,830.1	7,811.1	597.2
Res. Alterations/Additions	9,066.5	10,297.0	14,672.9	12,286.0	11,302.1
Total Residential	$48,817.0	$60,467.7	$87,160.1	$81,533.2	$102,657.8
New Commercial	$22,890.3	$14,019.0	$21,970.1	$10,758.3	$22,746.2
New Industrial	300.1	4,212.9	363.7	1,350.7	2,208.5
New Other	9,266.1	11,368.0	11,556.1	24,618.1	14,854.0
Com. Alterations/Additions	17,835.7	16,915.8	12,948.4	15,666.2	13,063.8
Total Nonresidential	$50,292.2	$46,515.7	$46,838.3	$52,393.3	$52,872.5
New Dwelling Units					
Single Family	204	235	309	261	377
Multiple Family	0	5	59	54	6
TOTAL	204	240	368	315	383

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Figures for calendar year 2018 are not yet available.

Total taxable sales during the first quarter of calendar year 2018 in the City were reported to be $62,600,711, a 22.53% increase over the total taxable sales of $51,090,910 reported during the first quarter of calendar year 2017.

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

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	490	$175,546	638	$208,593
2014	604	178,829	768	213,412
2015(1)	705	182,333	915	221,184
2016	719	197,262	936	228,751
2017	756	210,751	993	252,799

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be $699,637,107, a 2.80% increase over the total taxable sales of $680,609,215 reported during the first quarter of calendar year 2017.

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

	Retail Stores		**Total All Outlets**	
	Number of Permits	**Taxable Transactions**	**Number of Permits**	**Taxable Transactions**
2013	4,653	$2,007,897	6,569	$2,804,362
2014	4,945	2,025,336	6,904	2,816,992
2015(1)	2,588	2,041,727	8,021	2,867,516
2016	5,708	2,135,594	8,385	2,958,057
2017	5,671	2,219,330	8,405	3,073,469

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

June 19, 2019

Board of Trustees
Cascade Union Elementary School District
1645 West Mill Street
Anderson, California 96007

OPINION: $3,000,000 Cascade Union Elementary School District (Shasta County, California) General Obligation Bonds, Election of 2016, Series B

Members of the Board of Trustees:

We have acted as bond counsel to the Cascade Union Elementary School District (the "District") in connection with the issuance by the District of $3,000,000 principal amount of Cascade Union Elementary School District (Shasta County, California) General Obligation Bonds, Election of 2016, Series B, dated the date hereof (together, the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on May 8, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Shasta is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject

to taxation by the District, without limitation as to rate or amount (except for certain personal property that is taxable at limited rates).

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

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

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

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

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

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

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$3,000,000
CASCADE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series B
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Cascade Union Elementary School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on May 8, 2019 (the "**Resolution**"). The Bank of New York Mellon Trust Company, N.A. is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

"*Participating Underwriter*" means Stifel, Nicolaus & Company, Incorporated, the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice of failure to file, with a copy to the Paying Agent and Participating Underwriter.

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

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

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

(i) Assessed value of taxable property in the jurisdiction of the District as shown in the most recent equalized assessment roll;

(ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District as shown in the most recent equalized assessment roll;

(iii) Property tax collection delinquencies for the District, if available from the County at the time of filing the Annual Report, and only if the District's *ad valorem* taxes securing general obligation bonds are no longer included on Shasta County's Teeter Plan;

(iv) The District's most recently adopted budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report; and

(v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of Section 4, in the light of the circumstances under which they are made, not misleading

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: June 19, 2019

CASCADE UNION ELEMENTARY SCHOOL DISTRICT

By: ______________________________
Name:_____________________________
Title:______________________________

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.

By: ________________________________
Name:______________________________

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX G

SHASTA COUNTY INVESTMENT POLICY AND INVESTMENT

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Investment Policy Statement

of the
Shasta County Treasurer

2013-14

INVESTMENT POLICY STATEMENT

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INVESTMENT POLICY STATEMENT

of the

SHASTA COUNTY TREASURER

APPLICATION AND SCOPE

The principles, parameters and/or restrictions contained in this policy apply to all activities of the treasurer relating to the management, investment and/or deposit of investable funds in the possession or under the control of the treasurer.

As used in this policy, "treasurer" includes the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator, the Chief Deputy Treasurer-Public Administrator, Treasury Cashiers, and all other persons acting in their capacity as deputies or agents of the treasurer. The term "department head" means the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator. The term "Investment Officer" means the person elected to office of the Shasta County Treasurer-Tax Collector-Public Administrator and/or the Chief Deputy Treasurer-Public Administrator.

Funds resulting from various statutorily authorized forms of financing may be subject to unique requirements imposed by statute or as incorporated in the debt instruments or documents authorizing the issuance thereof as approved by the authorizing legislative body. In the event of a conflict between any provision of this policy and any provision relating to the financing, the provision specific to the financing will prevail.

TERM

This policy is effective July 1, 2013, and shall remain in effect until it is amended or replaced by the Shasta County Treasurer-Tax Collector-Public Administrator and the new or amended policy has been submitted to and approved by the Shasta County Board of Supervisors and the Shasta County Treasury Oversight Committee.

ELIGIBILITY AND CONTINUING EDUCATION

The Board of Supervisors enacted Ordinance SCC97-1 relating to eligibility and continuing education requirements for the office of Treasurer-Tax Collector. Said requirements are hereby applied to the position of Chief Deputy Treasurer-Public Administrator except that any certifications required to be filed by the Treasurer-Tax Collector with the State Controller shall in the case of the Chief Deputy Treasurer-Public Administrator be filed with the Treasurer-Tax Collector-Public Administrator.

PRUDENT INVESTOR

Government Code 53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of alike character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

OVERVIEW

Unless otherwise stated, all references to statutes contained herein are to provisions of the Government Code of the State of California.

The Shasta County Treasurer-Tax Collector-Public Administrator is responsible for the operation of a cash management and investment program pursuant to the provisions of Section 53635 et seq. of the Government Code. If the Shasta County Board of Supervisors enacts an ordinance pursuant to the provisions of Section 27000.1 delegating the Board's authority to invest or re-invest the funds of the County and the funds of other depositors in the County treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5, the treasurer shall thereafter assume full responsibility for those transactions until the Board of Supervisors, by ordinance, revokes its delegation of authority. During the term of any such delegation, should that occur, the provisions of this policy shall apply to any investments made under such delegated authority.

The cash management and investment program is conducted on a "pooled" basis. The "pool" consists of "investable" funds belonging to the County of Shasta and a multitude of other local agencies, primarily school districts and special districts. Investable funds exist when the treasury balance exceeds the daily cash flow requirements of the treasury. The legislature has found and declared that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies.

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of the County Treasurer shall be to safeguard the principal of the funds under his or her control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under his or her control. This policy is constructed to meet those objectives.

AUTHORIZED INVESTMENT INSTRUMENTS

By statute (Section 53635), the following instruments are eligible for inclusion in the investment portfolio. For purposes of this policy, the term "investment portfolio" means all investments which produce earnings that are apportioned to pool participants based on the participants average daily balances in the treasury during the apportionment period. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Investments in these instruments are subject to the limitations, restrictions or parameters contained in the policy language following each description:

A. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency.

Policy: *For purposes of this policy, the term "local agency" means the County of Shasta. Shall not exceed two years remaining to maturity and the total invested in instruments of this type shall not exceed 5% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

B. United States Treasury notes, bills, bonds 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.

Policy: *Except for treasury bills, which may be acquired without limit, investments of this type shall not exceed five years remaining to maturity.*

C. Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the state or by a department, board, agency or authority of the state.

Policy: *Shall not exceed two years remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head. Any such written authorization relating to registered warrants shall contain a statement that the department head expects, based on circumstances then present, that the warrants will be redeemed within one year.*

D. Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency.

Policy: *For purposes of this policy, the term "any local agency within this state" means local agencies other than the County of Shasta whose funds are deposited in the Shasta County Treasury. Shall not exceed one year remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

E. Obligations issued by federal home loan banks, the Federal Home Loan Bank, the Tennessee Valley Authority, or in obligations, participations, or other instruments of, or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

Policy: *Shall not exceed five years remaining to maturity and the total invested in instruments of this type shall not exceed 80% of the portfolio and no single issuer shall exceed 20% of the portfolio. No investment shall be made in Small Business Administration notes.*

F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the agency's surplus funds, which may be invested pursuant to this section. However, no more than 30 percent of the agency's surplus funds may be invested in the banker's acceptances of any one commercial bank pursuant to this section.

Policy: *The total invested in instruments of this type shall not exceed 35% of the portfolio, and no single issuer shall exceed 10% of the portfolio. The issuer must have a minimum long-term credit rating of A from Standard & Poor's Corporation and A2 from Moody's Investor Service, Inc. If the issuer is a branch of a foreign bank, the investment must meet the credit standard and have the specific written authorization of the department head.*

G. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization (NRSRO). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000) and having an "A-1" or higher rating by an NRSRO. Purchase of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the agency's surplus money which may be invested pursuant to this section.

Policy: *Shall not exceed 270 days remaining to maturity and shall not exceed 20% of the portfolio. No single issuer shall exceed 4% of the portfolio.*

H. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, federally chartered branch of foreign banks (yankee banks), or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's surplus money, that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. For purposes of this section, the legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from depositing or investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or an employee of the Administrative Officer, Manager's Office, budget office, Auditor-Controller's Office or Treasurer's Office of the local agency also serves on the board of directors, or any committee appointed by the board of directors or the credit committee or supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

Policy: *Shall not exceed one year remaining to maturity and shall not exceed 20% of the portfolio, provided, however, that the 20% limit may be exceeded if the transaction exceeding the 20% limit is of a duration of 30 days or less. No single issuer shall exceed 5% of the portfolio.*

I. (1) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, so long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(3) Reverse repurchase agreements may be utilized only when all of the following conditions are met:

(a) The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale, the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security

(4) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party by way of a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period

between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security. Reverse repurchase agreements specified in subparagraph (B) of paragraph (3) may not be entered into unless the percentage restrictions specified in that subparagraph are met.

(5) Investments in reverse repurchase agreements or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security, may only be made upon prior approval of the governing body of the local agency, and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(6) (a) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(b) "Securities", for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

(c) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(d) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.

(e) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

Policy: *Reverse repurchase agreements or similar investments are prohibited. Repurchase agreements shall not exceed 10% of the portfolio, and the term of the agreement shall not exceed 5 days. The 10% limit may be exceeded if the total invested in the repurchase agreement does not exceed 20% of the portfolio and the term of the agreement does not extend beyond the next county business day.*

J. Medium-term notes defined as all corporate and depository institution debt securities with a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or better by an NRSRO. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.

Policy: *The total invested in instruments of this type shall not exceed 20% of the portfolio and no single issuer shall exceed 3% of the portfolio. Each investment of this type shall have the specific written approval of the department head.*

K. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations as authorized by subdivisions (a) to (K), inclusive, of this section and which comply with the investment restrictions of this article (Article 2) and Article 1 (commencing with Section 53600). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (m), inclusive, of this section and with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 % of the agency's surplus money, which may be invested pursuant to this section. No more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund (money market, LIR).

Policy: *The total investment in instruments of this type shall not exceed 5% of the portfolio.*

L. Notes, bonds or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

Policy: *Investments of this type are prohibited.*

M. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through 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. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

Policy: *Investments of this type are prohibited.*

N. Inactive deposits made in accordance with the provisions of Article 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5

Policy: *No such deposits will be made in any institution that is not rated A or higher. The amount deposited in any single institution shall not exceed 7.5% of the portfolio.*

O. Deposits to the Local Agency Investment Fund of the State of California pursuant to Resolution No. 77-98 of the Shasta County Board of Supervisors dated April 18, 1977.

Policy: *Notwithstanding any other provision of this policy, deposits to L.A.I.F. may be made, subject only to the limitations thereon imposed by the State Treasurer.*

P. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall 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 the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

SELECTION CRITERIA

Brokers/Dealers and Depositories

The treasury shall maintain a list of qualified institutions with which the treasury will execute investment transactions. Only dealers that are licensed to do business in California and the investment departments of major California banks rated "AA" or higher and total assets in excess of $5,000,000,000 will be considered for inclusion on the list of qualified institutions. The department head will decide whether or not an institution should be placed on the list based on the length of time it has been in existence, its demonstrated ability to successfully maintain relationships with other municipal investors and its reputation for a commitment to maintaining a high level of professionalism and to meeting industry standards of ethical behavior. The foregoing criteria is intended to result in a list of well known institutions of the highest quality.

No broker, brokerage, dealer or securities firm shall be placed on or remain on the list if it has, within any consecutive 48 month period made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Shasta County Treasurer, any member of the Shasta County Board of Supervisors, any candidate for those offices, or any member of the Shasta County Treasury Oversight Committee.

The department head will periodically review each institution on the list and make a determination whether or not, in the opinion of the department head, it is in the best interests of the pool participants that the institution remain on the list.

The Investment Officer may remove an institution from the list at any time, and the fact that an institution is on the list does not create an obligation to execute investment transactions with a listed institution. The Investment Officer will furnish a copy of the current Statement of Investment Policy to each listed institution, who will then sign and return a receipt showing receipt and compliance to the policy.

Representatives of Qualified Institutions

Individuals who represent qualified institutions in securities transactions with the treasury must be registered with the National Association of Securities Dealers, Inc., as having passed the General Securities Representative Examination (Series 7) and the Uniform Securities Agent State Law Examination (Series 63). Each representative:

- Shall have expertise and significant experience in institutional sales.
- Shall supply references consisting of the names of individuals at three California public agencies with whom they have executed investment transactions.

The Investment Officer shall maintain a list of authorized representatives of qualified institutions with whom the treasury may execute investment transactions.

INVESTMENTS

Investments will be made by selection of instruments from the list of authorized investments only and the selection is further limited by the following in order to assure adequate liquidity while minimizing credit and market risks.

Prohibited Investment Types and Restrictions Applicable to All Investments

Pursuant to Section 53631.5, any investment in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity is prohibited.

Further, no investment shall be made in any security that, absent default on the part of the issuer, contains any provision, index or structure that would introduce any element of uncertainty in regard to the amount or rate of earnings if held to maturity or the amount of principal returned if held to maturity.

No investment shall be made in any security that has a maturity in excess of 5 years from the date of purchase.

Except for Repurchase Agreements, Sweep Account and Treasury Bills, the amount invested in a single issue shall not exceed 4% of the portfolio.

Notwithstanding the provisions of Section 53601.1 of the Government Code, no investments in financial futures or financial option contracts are allowed under this policy.

Maturity Scheduling

Market risks and cash flow problems will be reduced by a "hold to maturity" policy. This policy requires that the maturity of the instrument selected conform to anticipated cash flow requirements. In other words, no investment will be made knowing that the instrument will have to be sold prior to maturity. Securities may be liquidated prior to maturity if the sale is to meet unanticipated cash flow requirements or market conditions so warrant and the sale has department head approval. No securities may be exchanged or traded for other securities. No securities will be purchased that have a maturity in excess of three years from the date of purchase without department head approval. The dollar-weighted average days to maturity of the portfolio shall not exceed 1095 days.

CREDIT ASSESSMENT

In determining the creditworthiness of an issuer, counter party or depository, the Investment Officer shall utilize the ratings of Standard and Poor's Corporation, Moody's Investor Services, Inc., Fitch, GFI Bank Rating Services, or nationally recognized statistical rating organization (NRSRO)

DIVERSIFICATION

Both market risk and credit risk can be reduced by constructing an investment portfolio that contains a broad mix of types of investments and issuers. The policy or statutory limitations that are contained in the section of this policy which sets forth permissible investments are to be measured against the portfolio at the time of the transaction subject to the limitation occurs.

YIELD

Investments meeting all other requirements of this policy shall be chosen based on yield. A minimum of three quotes for investment options meeting the maturity scheduling requirements shall be obtained for each transaction having a term in excess of five days and a written record of the quotes shall be retained by the Investment Officer until after the next subsequent compliance audit conducted pursuant to the provisions of Section 27134. Yield shall always be the last consideration, and if the quotes obtained are not for the same instrument, issues of safety, liquidity and diversity shall be given greater consideration than yield.

SAFEKEEPING

Securities purchased from brokers and/or dealers shall be held in third party safekeeping by the trust department of the County's bank or other designated third party trust, in the County's name or control. All investment transactions subject to "delivery vs. payment" shall be conducted on that basis.

CALCULATING AND APPORTIONING THE COSTS

The manner of calculating and apportioning the costs of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds is as follows:

A. Total earnings for all funds will be accounted for and accumulated. All costs incurred as described in Government Code Sections 27013, 17133 and 27135 will be accounted for and paid out of earnings.

B. All costs will be spread at the same time and as part of the process of apportioning earnings so that each participant's share is in proportion to its earnings.

CRITERIA FOR CONSIDERING REQUESTS TO WITHDRAW FOR INVESTMENT PURPOSES

The County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury will be based on the following criteria:

1. Size of withdrawal.

2. Size of remaining balances of:
   (a) Pool
   (b) Agency
3. Current market condition.
4. Duration of withdrawal.
5. Effect on predicted cash flows.
6. A determination if there will be sufficient balances remaining to cover costs.
7. Adequate information, including the statutory authority that allows the funds to be invested outside the treasury pool, has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected.

Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS

All entities qualifying under Government Code Section 27133(g), may deposit funds for investment purposes providing all of the following have been accomplished:

1. The agency's administrative body has requested the privilege, has agreed to terms and conditions of an investment agreement as prescribed by the County Treasurer, and has by resolution identified the authorized officer acting on behalf of the agency.
2. The County Board of Supervisors approves the investment agreement.
3. The County Auditor-Controller has prescribed the appropriate accounting procedures.

LIMITS ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

No member of the staff of the Treasurer's Office or member of the Shasta County Treasury Oversight Committee may accept any honoraria, gift or gratuity from advisors, brokers, dealers, bankers or other persons with whom the county treasury conducts business. Excepted from the foregoing are ordinary desk-top promotional items of advertising, such as calendars, planners, etc., which are clearly identifiable as such. This prohibition is in addition to any other limit or prohibition set by the County of Shasta, the members' own agency, or by the Fair Political Practices Commission.

REPORTING

The County Treasurer will submit a copy of the Report of Investments required by Section 53646(b)(1) to the Shasta County Treasury Oversight Committee at the same time said report is submitted to the Board of Supervisors. The report shall be submitted within 30 days of the quarter, or month at the option of the Board of Supervisors, following the end of the period covered by the report.

DATE:____________________ ________________________________

LORI J. SCOTT
Treasurer-Tax Collector-Public Administrator

GLOSSARY

Banker's Acceptances

Banker's acceptances (BAs) are another form of money market instruments issued by banks. BAs arise from transactions involving the import, export, transit, or storage of goods. The underlying transaction that gives rise to a BA is almost completely irrelevant to the credit quality or the liquidity of the instrument; the actual BA is created at a late stage in the underlying transaction when a back accepts its obligation to pay the holder of the unconditional obligation of the accepting bank.

From an investor's point of view, a BA is a bank obligation that has at least the same credit strength as any CD issued by the same bank. BAs are typically stronger that CDs because in addition to the credit strength of the accepting bank, they are backed by the credit strength of a drawer; an endorsing bank, if one is involved in the transaction; and usually by the pledge of documents representing ownership of the trade goods and insurance on the goods. BAs do not carry federal deposit insurance.

The term of a BA may be for an even 90, 180, or 270 days when it is created but is often for an odd number of days by the time an investor purchases it.

BAs meeting certain Federal Reserve regulations are called eligible BAs. Eligible BAs cannot exceed 180 days and are not subject to reserve requirements.
Like Treasury bills, BAs do not pay interest. Instead, they are bought and sold on a discount basis. For larger BAs created by creditworthy banks, there is an active secondary market.

Broker

A middleman who brings buyers and sellers together and handles their orders, generally charging a commission for his services. The broker does not own or take a position in the security.

Commercial Paper

Commercial paper is an unsecured, short-term promissory note issued by corporations for specific amounts and with specific maturity dates. Typical issuers are firms that need large amounts of short-term working capital or firms with fluctuating requirements for short-term funds.

Commercial paper is relatively safe but not the same quality as U.S. Treasury or agency obligations. Major credit rating agencies provide published credit ratings for commercial paper issues. Issuers without strong credit ratings, as well as smaller and less well known companies, often can only find buyers for their commercial paper if it is backed by a letter of credit from a commercial bank or guaranteed by the issuer's parent company.

Commercial paper can be sold at a discount or can be interest bearing; however, most commercial paper is issued at a discount. Terms can be as short as 1 day and usually do not exceed 270 days. Minimum sizes are determined by each issuer. They are often $100,000 but may be smaller.

CUSIP Number

A nine-digit letter and number combination established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

Discount

The amount by which the price for a security is less than its par.

Federal Farm Credit Bank Securities

The Federal Farm Credit Banks (FFCBs) issue two types of short-term securities. Debentures are issued for terms of 3, 6 and 12 months. Interest on the debentures is paid at maturity.

The FFCBs also sell discount notes. Like Treasury bills, FFCB discount notes pay interest at maturity since they are sold at a discount, but redeemed at par. The discount notes are issued with original maturities ranging from 5 to 365 days.

Minimum size for both debentures and discount notes is $5,000. Obligations of the FFCBs are not guaranteed by the U.S. government, but are considered to have implied backing.

Federal Home Loan Bank Notes

The Federal Home Loan Bank (FHLB) issues discount notes. Like Treasury bills, these pay interest at maturity since they are sold at a discount but redeemed at par. The discount notes are issued with original maturities ranging from 5 to 365 days. These discount notes can be called before maturity. The minimum size is $5,000.

Obligations of the FHLB are not guaranteed by the U.S. government but are considered to have implied backing.

Federal Home Loan Mortgage Corporation Discount Notes

The Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) also issues discount notes. The discount notes are issued with original maturities ranging from 1 to 360 days. Minimum size is $25,000. These discount notes are not guaranteed by the U.S. government but are considered to have implied backing.

Federal National Mortgage Association Residential

The Federal National Mortgage Association (FNMA or Fannie Mae) issues unsecured obligations called residential financing securities or REFs. REFs are issued with original maturities of six months, one year, and two years. Interest on the one-and-two year notes is paid semiannually. Minimum size is $10,000. REFs are not guaranteed by the U.S. government but are considered to have implied backing.

Maturity

The date on which the principal or last principal payment on a debt is due and payable.

Par

The value of a security as expressed on its face without consideration to any premium or discount.

Repurchase Agreement

Repurchase agreements (repos) involve selling a security subject to an agreement for the seller to buy it back (repurchase it) from the buyer. A repo is a type of short-term secured loan. The security that is sold is usually a U.S. Treasury obligation; however, agency securities are also used. Typical maturities may be as short as overnight or as long as six months.

Treasury Notes and Bonds

Treasury notes and bonds, the long-term debt obligations of the U.S. government, bear coupons and thus resemble municipal bonds. Interest is payable every six months at a rate of one-half the annual coupon.

Treasury coupon securities trading are conducted by the same securities dealers who trade T-bills. Notes are issued for original maturities of one to 10 years and carry that label only because of federal statutory language. Bonds are issued with original maturities of more than 10 years.

U.S. Treasury Bills

U.S. Treasury bills are the shortest term obligations issued by the U.S. Treasury. Bills are issued for maturities of one year or less. Usually, the Treasury issues bills in three maturities: 13 weeks, 26 weeks, and 52 weeks. Occasionally, the Treasury sells bills with different maturities, usually to match expected tax receipts. Those bills are referred to as cash management bills.

Bills are sold by the Treasury at weekly auctions. New 13-week and 26-week bills are issued each week. The auctions for 13-week and 26-week bills are held on Mondays. Bills purchased at an auction settle on the following Thursday, and they mature on Thursdays. If a Thursday is a bank holiday, the Friday is used. The Treasury usually issues 52-week bills only once each month. Bill transactions tend to be large. Even though the minimum size is only $10,000, a round Lot is considered to be $1 million. Buyer of bills in amounts less than a round Lot receive slightly higher prices (i.e., lower yields) than buyers of round Lots.

The owner of a Treasury bill earns a return because the bills are sold at a discount and redeemed at par.

Example. A one-year bill may be sold at a price of 94 and redeemed at the end of the year at par, or 100. In the example, the owner of a $100,000 bill would pay $94,000 and receive $100,000 a year later. The difference of $6,000 is the amount of the discount. The discount rate in the example is 6 percent.

Investors need to be aware that the yield they receive from Treasury bills is not the same as the discount rate.

Yield

The rate of annual income return on an investment, expressed as a percentage.

Shasta County Treasurer
Disaster/Business Continuity Plan
Banking and Investment Functions

Scope

The Shasta County Treasurer's banking and investment functions are mission critical and as such, the office must have a Disaster/Business Continuity Plan in place. In the event we are unable to operate from our office, the plan shall be activated. Periodically, the plan shall be tested.

The plan's goal is to protect and account for all funds on deposit with the county treasurer and to be able to continue our banking and investment functions for all participants in the event of occurrence (earthquake, fire, pandemic, or other event) which disrupts normal operations.

Chain of Command

The chain of command shall be in order of:

- Treasurer,
- Chief Deputy Treasurer
- Chief Deputy Tax Collector

Continuity Procedure

In the event we are unable to conduct normal business operations, the authorized persons shall interact with one another by home phone, email or cellular phone to decide on the alternate location. If unable to contact one another, the authorized persons shall through the county's office of emergency services establish contact with one another.

Functions & Tasks to be Performed

Recognizing we may be operating in less than optimal conditions, the primary functions are to protect and continue to account for all funds on deposit with the county treasurer. While normal processes may be modified, the investment policy shall be strictly followed.

Tasks to be performed include:

- Daily cash work up
- Investment of maturing securities and any daily deposits after making an allowance for checks/wires expected to clear
- Daily cash and bank reconciliation
- For deposits, the treasurer's office will notify county departments, special districts and schools of any changes to their deposit location. Deposits to any account other than those established by the treasurer is prohibited.
- Disbursement activity will be coordinated with the county Auditor-Controller.

Equipment and Emergency Packets

The "authorized persons" in the treasurer's office including support staff upon an occurrence are official disaster workers and are assigned to support our Disaster/Business Recover Plan. Each shall have on their possession their County of Shasta Identification Card.

The level of disruption and assigned work location will be determined by the Treasurer, Chief Deputy Treasurer or Chief Deputy Tax Collector. All related costs shall be absorbed by the Treasurer's office and reimbursed pursuant to Government Code section 27013.

In all cases, the safety of treasury personnel is paramount. In no event should our alternate location or alternate procedure be employed if doing such will endanger any one.

Offsite Locations

Failing the ability to operate from our office, our operations will relocate in the following order of priority:

- Location determined by the County Office of Emergency Services or County Administrator
- Treasurer's home
- Chief Deputy Treasurer's home
- One of our banks operations centers which may be outside Shasta County in a worst case scenario

LED INVESTMENT 03/29/19

SECURITY TYPE	PAR AMOUNT	COST AMOUNT	% OF TOTAL	DISC	PREM	ACCRUED INTEREST		MATURITY	CUSIP	MOODY'S RATING	INT/DISC RATE	YIELD	BROKER	DAYS TO MAT	DAYS*COST	MARKET VALUE	UNR GAI
cy Investment Fund (max 65,000)	30,000,000.00	30,000,000.00	**5.65%**					04/01/19		not rated	2.40	2.40	LAIF	3	90,000,000.00	30,186,360.70	
ement (10% max 20% limit)	4,000,000.00	4,000,000.00	**0.75%**					04/01/19			1.96	1.96	UBS		0.00	4,000,000.00	
ury Fund - Mutual Fund (5.00%max)	26,000,000.00	26,000,000.00	**4.89%**					04/01/19			2.29	2.29	UBS		0.00		
ctive Public Deposits (7.5% limit)	**0.00**	**0.00**	**0.00%**													**0.00**	
ry Note	5,000,000.00	4,939,843.75		(60,156.25)		0.00	4,939,843.75	05/15/19	912828R44	NA/Aaa	0.88	1.72	UBS	47	232,172,656.25	4,990,400.00	
ry Note	5,000,000.00	4,883,800.00		(116,200.00)			4,883,800.00	09/12/19	912796RA9	NA/NA	2.49	2.57	UBS	167	815,594,600.00	4,946,100.00	
ry Note	5,000,000.00	4,923,046.88		(76,953.12)		0.00	4,923,046.88	01/31/20	912828H52	NA/NA	1.25	2.03	Union Banc	308	1,516,298,439.04	4,951,350.00	
ry Note	5,000,000.00	4,921,679.69		(78,320.31)		0.00	4,921,679.69	02/15/20	912828W22	AA+/NA	1.38	2.72	UBS	323	1,589,702,539.87	4,954,500.00	
ry Note	5,000,000.00	4,919,484.90		(80,515.10)		0.00	4,919,484.90	02/29/20	912828J50	AA+/NA	1.38	2.73	UBS	337	1,657,866,411.30	4,952,350.00	
ry Note	5,000,000.00	5,011,061.26		(18,300.00)		29,361.26	5,011,061.26	03/31/20	9128284C1	NA/NA	2.25	2.55	UBS	368	1,844,070,543.68	4,991,600.00	
ry Note	5,000,000.00	4,927,787.02		(79,050.00)		6,837.02	4,927,787.02	05/15/20	912828X96	NA/NA	1.50	2.65	UBS	413	2,035,176,039.26	4,951,000.00	
ry Note	5,000,000.00	4,896,250.00		(103,750.00)		0.00	4,896,250.00	07/15/20	9128282J8	NA/NA	1.50	2.81	UBS	474	2,320,822,500.00	4,944,350.00	
ry Note	5,000,000.00	4,931,487.40		(72,656.25)		4,143.65	4,931,487.40	08/15/20	9128282Q2	NA/NA	1.50	2.53	Wedbush	505	2,490,401,137.00	4,939,850.00	
ry Note	5,000,000.00	4,998,850.79		(13,476.56)		12,327.35	4,998,850.79	08/15/21	912828RC6	NA/Aaa	2.13	2.24	Wedbush	870	4,349,000,187.30	4,983,200.00	
asury Bill (50% limit)	**50,000,000.00**	**49,353,291.69**	**9.29%**									**2.46**				**49,604,700.00**	**2**
otiable Cert of Deposit (20% limit)	**0.00**	**0.00**	**0.00%**													**0.00**	
Medium Term Note - Callable	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	09/23/19	48215LRG9	A+/Aa3	1.65	1.54	UBS	178	890,000,000.00	4,976,000.00	
tor Credit Medium Term Note	5,000,000.00	5,000,000.00			0.00		5,000,000.00	04/17/20	89236TDU6	AA-/Aa3	1.95	1.80	Union Banc	385	1,925,000,000.00	4,966,850.00	
Medium Term Note-Callable	5,000,000.00	4,950,733.33		(57,600.00)		8,333.33	4,950,733.33	05/06/20	037833BD1	AA+/Aa1	2.00	2.85	Union Banc	404	2,000,096,265.32	4,976,050.00	
Chase Med Term Note-Callable	5,000,000.00	4,981,351.39		(22,850.00)		4,201.39	4,981,351.39	06/23/20	46625HLW8	A-/A2	2.75	3.07	UBS	452	2,251,570,828.28	5,002,600.00	
tor Credit Medium Term Note	5,000,000.00	5,086,641.67			53,600.00	33,041.67	5,086,641.67	01/08/21	89236TFQ3	Aa3/AA-	3.05	2.43	UBS	651	3,311,403,727.17	5,045,200.00	
Y Med Term Note-Callable	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	09/23/21	06406HBY4	A/A1	3.55	3.18	UBS	909	4,545,000,000.00	5,108,750.00	
lium Term Notes (20% limit/ 3% ea)	**30,000,000.00**	**30,018,726.39**	**5.65%**									**2.48**				**30,075,450.00**	
CP	5,000,000.00	4,905,875.00		(94,125.00)			4,905,875.00	05/03/19	63873KS32	A-1/P-1	2.51	2.56	UBS	35	171,705,625.00	4,988,900.00	
cole CIB NY	5,000,000.00	4,908,500.00		(91,500.00)			4,908,500.00	05/21/19	22533USM6	A-1/P-1	2.44	2.49	UBS	53	260,150,500.00	4,982,550.00	
CP	5,000,000.00	4,916,000.00		(84,000.00)			4,916,000.00	06/03/19	4664OQT35	A-1/P-1	2.70	2.78	UBS	66	324,456,000.00	4,977,850.00	
k CP	5,000,000.00	4,972,679.17		(27,320.83)			4,972,679.17	06/07/19	62479MT78	A-1/P-1	2.49	2.50	UBS	70	348,087,541.90	4,976,450.00	
	5,000,000.00	4,908,287.50		(91,712.50)			4,908,287.50	06/11/19	63873KTB3	A-1/P-1	2.61	2.66	UBS	74	363,213,275.00	4,975,050.00	
tor Credit Corp. CP	5,000,000.00	4,903,250.00		(96,750.00)			4,903,250.00	07/01/19	89233HU10	A-1+/P-1	2.58	2.63	UBS	94	460,905,500.00	4,967,750.00	
nding CP	5,000,000.00	4,908,666.67		(91,333.33)			4,908,666.67	07/05/19	4497W1U53	A-1/P-1	2.74	2.79	Union Banc	98	481,049,333.66	4,966,350.00	
CP	5,000,000.00	4,891,652.78		(108,347.22)			4,891,652.78	07/26/19	46640QUS8	A-1/P-1	2.90	2.96	UBS	119	582,106,680.82	4,958,900.00	
k CP	5,000,000.00	4,898,377.78		(101,622.22)			4,898,377.78	08/09/19	62479MV91	A-1/P-1	2.72	2.78	Union Banc	133	651,484,244.74	4,953,800.00	
nding CP	5,000,000.00	4,895,388.89		(104,611.11)			4,895,388.89	08/23/19	4497W1VP8	A-1/P-1	2.80	2.86	Union Banc	147	719,622,166.83	4,948,800.00	
se New York CP	5,000,000.00	4,913,366.67		(86,633.33)			4,913,366.67	08/23/19	2254EBVP3	A-1/P-1	2.76	2.81	UBS	147	722,264,900.49	4,948,800.00	
CP	5,000,000.00	4,889,784.72		(110,215.28)			4,889,784.72	08/30/19	4664OQVW8	A-1/P-1	2.95	3.02	UBS	154	753,026,846.88	4,946,100.00	
	5,000,000.00	4,890,500.00		(109,500.00)			4,890,500.00	09/03/19	63873KW37	A-1/P-1	2.92	3.01	UBS	158	772,699,000.00	4,944,650.00	
se NY CP	5,000,000.00	4,894,338.89		(105,661.11)			4,894,338.89	09/06/19	2254EBW64	A-1/P-1	2.86	2.92	UBS	161	787,988,561.29	4,943,600.00	
CP	5,000,000.00	4,925,688.89		(74,311.11)			4,925,688.89	10/10/19	4664OQXA4	A-1/P-1	2.56	2.60	UBS	195	960,509,333.55	4,931,200.00	
	5,000,000.00	4,912,250.00		(87,750.00)			4,912,250.00	11/04/19	63873KY43	A-1/P-1	2.60	2.65	UBS	220	1,080,695,000.00	4,921,950.00	
nm Paper (20% limit)	**80,000,000.00**	**78,534,606.96**	**14.78%**									**2.75**				**79,332,700.00**	**7**
rm Credit Bond	5,000,000.00	4,975,250.00		(24,750.00)		0.00	4,975,250.00	11/15/19	3133EHS87	AA+/Aaa	1.65	1.92	UBS	231	1,149,282,750.00	4,978,200.00	
rm Credit Bond (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	03/02/20	3133EFH59	AA+/Aaa	1.38	1.38	UBS	339	1,695,000,000.00	4,954,050.00	
rm Credit Bank (Callable)	5,000,000.00	4,995,000.00		(5,000.00)			4,995,000.00	04/06/20	3133EGXNO	AA+/Aaa	1.24	1.27	UBS	374	1,868,130,000.00	4,942,100.00	
rm Credit Bank	5,000,000.00	4,942,933.33		(60,800.00)		3,733.33	4,942,933.33	06/17/20	3133EEPX2	AA+/AAA	1.68	2.54	Union Banc	446	2,204,548,265.18	4,959,450.00	
rm Credit Bank (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	08/03/20	3133EGPP4	AA+/Aaa	1.36	1.36	UBS	493	2,465,000,000.00	4,934,950.00	
rm Credit Bank (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	10/23/20	3133EJK32	AA+/Aaa	2.96	2.96	Wells Fargo	574	2,870,000,000.00	5,015,400.00	
rm Credit Bond (Callable)	5,000,000.00	5,000,000.00				0.00	5,000,000.00	11/02/20	3133EGC29	AA+/Aaa	1.35	1.35	UBS	584	2,920,000,000.00	4,923,600.00	
rm Credit Bank (Callable)	5,000,000.00	4,998,500.00		(1,500.00)		0.00	4,998,500.00	11/16/20	3133EG7E9	AA+/Aaa	1.87	1.87	UBS	598	2,989,103,000.00	4,962,950.00	
rm Credit Bank (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	12/14/20	3133EGU37	AA+/Aaa	1.83	1.83	UBS	626	3,130,000,000.00	4,957,800.00	
rm Credit Bank	5,000,000.00	4,994,350.00		(5,650.00)		0.00	4,994,350.00	01/04/21	3133EH5G4	AA+/Aaa	2.07	2.11	Union Banc	647	3,231,344,450.00	4,975,500.00	

rm Credit Bank	5,000,000.00	5,014,191.67			650.00	13,541.67	5,014,191.67	02/11/21	3133EKAJ5	AA+/Aaa	2.50	2.49	Wells Fargo	685	3,434,721,293.95	5,017,450.00
rm Credit Bank (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	03/08/21	3133EJFJ3	AA+/Aaa	2.60	2.60	UBS	710	3,550,000,000.00	5,000,050.00
rm Credit Bank	5,000,000.00	4,999,500.00		(500.00)			4,999,500.00	05/26/21	3133EJW70	Aaa/AA+	2.88	2.88	Unioon Banc	789	3,944,605,500.00	5,054,650.00
rm Credit Bank	5,000,000.00	4,994,280.00		(5,720.00)			4,994,280.00	06/14/21	3133EJ2T5	Aaa/AA+	2.80	2.85	Wells Fargo	808	4,035,378,240.00	5,048,150.00
rm Credit Bank (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	10/12/21	3133EJG45	AA+/Aaa	3.13	3.13	UBS	928	4,640,000,000.00	5,000,700.00
rm Credit Bank	5,000,000.00	4,998,400.00		(1,600.00)			4,998,400.00	11/15/21	3133EJT74	AA+/Aaa	3.05	3.06	UBS	962	4,808,460,800.00	5,091,150.00
eral Farm Credits (20% limit)	**80,000,000.00**	**79,912,405.00**	**15.04%**									**2.22**				**79,816,150.00**
me Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	06/14/19	313379EE5	AA+/Aaa	1.63	1.31	Union Banc	77	385,000,000.00	4,992,100.00
me Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	06/21/19	3130A8DB6	AA+/Aaa	1.13	1.00	Wedbush	84	420,000,000.00	4,985,800.00
me Loan Bank	5,000,000.00	5,000,000.00					5,000,000.00	07/15/19	3130AB3Q7	AA+/Aaa	1.40	1.40	Mutual Securities	108	540,000,000.00	4,985,550.00
me Loan Bank	5,000,000.00	4,927,250.00		(72,750.00)		0.00	4,927,250.00	09/26/19	313OA9EP2	AA+/Aaa	1.00	2.64	UBS	181	891,832,250.00	4,965,250.00
me Loan Bank	5,000,000.00	4,890,916.67		(109,083.33)			4,890,916.67	10/16/19	313384NA3	AA+/Aaa	2.55	2.61	UBS	201	983,074,250.67	4,934,000.00
me Loan Bank	5,000,000.00	4,959,260.00		(40,740.00)		0.00	4,959,260.00	02/11/20	313OADN32	AA+/Aaa	2.13	2.74	Wedbush	319	1,582,003,940.00	4,986,050.00
me Loan Bank Bond(Callable)	5,000,000.00	5,000,000.00					5,000,000.00	03/03/20	3130A87M9	AA+/Aaa	1.47	1.47	UBS	340	1,700,000,000.00	4,954,950.00
me Loann Bank	5,000,000.00	4,956,400.00		(43,600.00)		0.00	4,956,400.00	03/13/20	313OA12B3	AA+/Aaa	2.13	2.78	UBS	350	1,734,740,000.00	4,984,250.00
me Loan Bank Bond(Callable)	5,000,000.00	5,000,000.00					5,000,000.00	04/20/20	313OA7RP2	AA+/Aaa	1.38	1.38	UBS	388	1,940,000,000.00	4,944,700.00
me Loan Bank	5,000,000.00	5,000,000.00					5,000,000.00	05/28/20	313OAECJ7	AA+/Aaa	2.63	2.55	Wedbush	426	2,130,000,000.00	5,010,800.00
me Loan Bank	5,000,000.00	5,000,000.00					5,000,000.00	06/12/20	313383HU8	AA+/Aaa	1.75	1.70	UBS	441	2,205,000,000.00	4,959,450.00
me Loan Bank	5,000,000.00	4,931,555.00		(68,445.00)		0.00	4,931,555.00	09/11/20	313OA66T9	AA+/Aaa	1.63	2.17	Wedbush	532	2,623,587,260.00	4,947,350.00
me Loan Bank	5,000,000.00	4,861,370.00		(138,630.00)		0.00	4,861,370.00	09/28/20	313OACE26	AA+/Aaa	1.38	2.57	Wedbush	549	2,668,892,130.00	4,925,250.00
me Loan Bank	5,000,000.00	5,034,968.89			17,955.00	17,013.89	5,034,968.89	03/12/21	313OAFV61	AA+/Aaa	2.50	2.31	Wedbush	714	3,594,967,787.46	5,014,100.00
me Loan Bank	5,000,000.00	5,045,963.19			45,963.19	0.00	5,045,963.19	06/11/21	313373ZY1	AA+/Aaa	3.63	2.70	Wedbush	805	4,062,000,367.95	5,134,200.00
me Loan Bank	5,000,000.00	4,834,810.00		(165,190.00)		0.00	4,834,810.00	07/14/21	3130A8QS5	AA+/Aaa	1.13	2.09	Wedbush	838	4,051,570,780.00	4,868,300.00
me Loan Bank Bond (Callable)	5,000,000.00	5,000,000.00					5,000,000.00	12/06/21	313OAACM8	AA+/Aaa	2.05	2.05	UBS	983	4,915,000,000.00	4,959,150.00
eral Home Loans (20% limit)	**85,000,000.00**	**84,442,493.75**	**15.89%**									**2.09**				**84,551,250.00**
tional Mtge Note	5,000,000.00	4,980,600.00		(19,400.00)		0.00	4,980,600.00	08/02/19	3135GON33	AA+/Aaa	0.88	1.01	Wedbush	126	627,555,600.00	4,973,550.00
tional Mtge	5,000,000.00	4,936,485.00		(63,515.00)		0.00	4,936,485.00	08/28/19	3135GOP49	AA+/Aaa	1.00	2.63	Wells Fargo	152	750,345,720.00	4,970,150.00
tional Mtge Note-Callable	5,000,000.00	5,000,000.00					5,000,000.00	11/26/19	3136G2YA9	AA+ / Aaa	1.40	1.40	UBS	242	1,210,000,000.00	4,966,850.00
tional Mtge Note-Callable	5,000,000.00	5,000,000.00				0.00	5,000,000.00	11/26/19	3136G4JE4	AA+/Aaa	1.50	1.49	Union Banc	242	1,210,000,000.00	4,968,400.00
tional Mtge Note-Callable	5,000,000.00	5,000,000.00					5,000,000.00	01/14/20	3136G3JJ5	AA+ / Aaa	1.36	1.36	Wedbush	291	1,455,000,000.00	4,957,900.00
tional Mtge Note	5,000,000.00	4,938,615.00		(61,385.00)		0.00	4,938,615.00	01/21/20	3135GOA78	AA+/Aaa	1.63	2.70	Wedbush	298	1,471,707,270.00	4,967,750.00
tional Mtge Note	5,000,000.00	5,000,000.00				0.00	5,000,000.00	02/28/20	3135GOT29	AA+/Aaa	1.50	1.50	Union Banc	336	1,680,000,000.00	4,958,450.00
tional Mtge	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	06/22/20	3135GOD75	AA+/Aaa	1.50	1.42	Wedbush	451	2,255,000,000.00	4,946,200.00
tional Mtge Note-Callable	5,000,000.00	5,000,000.00					5,000,000.00	07/28/20	3136G4GK3	AA+/Aaa	1.35	1.35	UBS	487	2,435,000,000.00	4,933,300.00
tional Mtge Note	5,000,000.00	4,991,145.14		(11,650.00)		2,795.14	4,991,145.14	10/30/20	3135GOU84	AA+/ Aaa	2.88	2.99	Union Banc	581	2,899,855,326.34	5,042,200.00
tional Mtge Note	5,000,000.00	5,011,731.94			1,350.00	10,381.94	5,011,731.94	10/30/20	3135GOU84	AA+/Aaa	2.88	2.86	UBS	581	2,911,816,257.14	5,042,200.00
tional Mtge Note	5,000,000.00	5,010,899.16			10,899.16	0.00	5,010,899.16	06/22/21	3135GOU35	AA+/Aaa	2.75	2.65	Wedbush	816	4,088,893,714.56	5,047,500.00
tional Mtge Note	5,000,000.00	4,815,410.56		(187,645.00)		3,055.56	4,815,410.56	10/05/22	3135GOT78	AA+/Aaa	2.00	3.01	Wedbush	1286	6,192,617,980.16	4,952,850.00
eral National Mtge. (20% limit)	**65,000,000.00**	**64,684,886.80**	**12.17%**									**2.03**				**64,727,300.00**
me Loan Mtge (Callable)	5,000,000.00	4,960,000.00		(40,000.00)		0.00	4,960,000.00	05/24/19	3134G9NB9	AA+/Aaa	1.23	1.82	Mutual Securities	56	277,760,000.00	4,991,100.00
me Loan Mtge	5,000,000.00	5,000,000.00			0.00	0.00	5,000,000.00	05/30/19	3137EADG1	AA+/Aaa	1.75	1.32	Wedbush	62	310,000,000.00	4,994,450.00
me Loan Mtge CP-Callable	5,000,000.00	5,000,000.00					5,000,000.00	06/28/19	3134GAE42	AA+/Aaa	1.50	1.50	UBS	91	455,000,000.00	4,988,500.00
me Loan Mtge	5,000,000.00	4,915,430.00		(84,570.00)		0.00	4,915,430.00	07/19/19	3137EAEB1	AA+/Aaa	0.88	2.21	Wedbush	112	550,528,160.00	4,976,150.00
me Loan Mtge	5,000,000.00	4,934,650.00		(65,350.00)		0.00	4,934,650.00	07/19/19	3137EAEB1	AA+/Aaa	0.88	2.36	UBS	112	552,680,800.00	4,976,150.00
me Loan Mtge	5,000,000.00	4,981,055.00		(18,945.00)		0.00	4,981,055.00	08/15/19	3137EAEH8	AA+/NA	1.38	1.59	Wedbush	139	692,366,645.00	4,980,650.00
me Loan Mtge CP-Callable	5,000,000.00	5,000,000.00				0.00	5,000,000.00	09/09/19	3134GA7A6	AA+/Aaa	1.50	1.50	UBS	164	820,000,000.00	4,978,250.00
me Loan Mtge	5,000,000.00	4,991,550.00		(8,450.00)		0.00	4,991,550.00	10/02/19	3137EADM8	AA+/Aaa	1.25	1.32	UBS	187	933,419,850.00	4,969,650.00
me Loan Mtge	5,000,000.00	4,998,375.69		(1,624.31)			4,998,375.69	10/25/19	3134GBHT2	AA+/Aaa	1.63	1.64	Union Banc	210	1,049,658,894.90	4,976,800.00
me Loan Mtge	5,000,000.00	4,961,180.00		(38,820.00)		0.00	4,961,180.00	01/17/20	3137EAEE5	AA+/Aaa	1.50	1.88	Wedbush	294	1,458,586,920.00	4,962,450.00
me Loan Mtge CP	4,976,830.00	4,976,830.00				0.00	4,976,830.00	05/01/20	3137EADR7	AA+/Aaa	1.38	1.53	Wedbush	399	1,985,755,170.00	4,943,350.00
me Loan Mtge	5,000,000.00	4,897,300.00		(102,700.00)		0.00	4,897,300.00	07/30/20	3134G33Z1	AA+/Aaa	1.55	2.80	UBS	489	2,394,779,700.00	4,942,600.00
me Loan Mtge CP-Callable	4,800,000.00	4,800,000.00					4,800,000.00	10/07/20	3134G8YQ6	AA+/Aaa	1.53	1.53	Union Banc	558	2,678,400,000.00	4,737,120.00
me Loan Mrge	5,000,000.00	4,949,720.00		(50,280.00)		0.00	4,949,720.00	02/16/21	3137EAEL9	AA+/Aaa	2.38	2.85	Wedbush	690	3,415,306,800.00	5,004,850.00
me Loan Mtge CP-Callable	5,000,000.00	5,000,000.00					5,000,000.00	02/23/21	3134GSDK8	AA+/Aaa	2.50	2.50	UBS	697	3,485,000,000.00	4,992,000.00
me Loan Mtge - Callable	5,000,000.00	4,998,750.00		(1,250.00)		0.00	4,998,750.00	02/26/21	3134GB3B6	AA+/Aaa	2.00	2.01	UBS	700	3,499,125,000.00	4,957,900.00
me Loan Mtge(Callable)	5,000,000.00	5,000,000.00					5,000,000.00	10/20/21	3134GBJB9	AA+/Aaa	2.00	2.00	UBS	936	4,680,000,000.00	4,954,700.00

HM LN Mtge. Corp Disc Note (20%	84,776,830.00	84,364,840.69	15.88%				1.90				84,326,670.00
	534,776,830.00	531,311,251.28	100.00%	(3,744,763.27)	130,417.35	148,767.20					506,620,580.70
	531,311,251.28	475,454,146.04	UBOC								
	47,149.63	30,000,000.00	LAIF		279,184.55		TOTAL DAYS*COST			187,093,543,257.94	
	1,965,487.64		REPO				TOTAL COST AMOUNT			531,311,251.28	
		26,000,000.00	LIR				WEIGHTED AVERAGE MATURITY		DAYS	352.14	
	262,878.56		GNMA				WEIGHTED AVERAGE MATURITY		YEARS	0.98	
	6,855,884.91										
		531,454,146.04		(142,894.76)							
	540,442,652.02										

curately reflects the County Treasurers investments, and is in conformance with the adopted County Investment Policy Statement.

e best of my knowledge, sufficient investment liquidity, and anticipated revenues are available to meet the County's budgeted expenditure requirements for the next six months.

' = COST

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

SPECIMEN

MUNICIPAL ASSURANCE CORP. ("MAC"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of MAC, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which MAC shall have received Notice of Nonpayment, MAC will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by MAC, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in MAC. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, MAC shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless MAC shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to MAC which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

MAC may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to MAC to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of MAC, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Ltd.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100