

**NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED**

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

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

**\$2,000,000
BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series 2019B
(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 2019B, are being issued by the Black Butte Union Elementary School District pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 13, 2019. The Bonds were authorized at an election of the registered voters of the District held on June 7, 2016, which authorized the issuance of \$4,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second and final 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 Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding which are similarly secured by tax levies. See "SECURITY FOR THE BONDS."

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

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

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

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 18, 2019.

PiperJaffray®

The date of this Official Statement is August 27, 2019.

MATURITY SCHEDULE

BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series 2019B
(Bank Qualified)

Base CUSIP[†]: 091832

\$140,000 Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
2020	\$65,000	3.000%	1.000%	101.726	AF2
2021	75,000	3.000	0.980	103.732	AG0

\$145,000 4.000% Term Bonds maturing August 1, 2034; Yield: 1.900%; Price: 116.176 C;
CUSIP[†]: AH8

\$240,000 4.000% Term Bonds maturing August 1, 2039; Yield: 2.150%; Price: 114.099 C;
CUSIP[†]: AJ4

\$420,000 4.000% Term Bonds maturing August 1, 2044; Yield: 2.310%; Price: 112.792 C;
CUSIP[†]: AK1

\$1,055,000 4.000% Term Bonds maturing August 1, 2049; Yield: 2.350%; Price: 112.467 C;
CUSIP[†]: AL9

C Price to par call on the first optional redemption date of February 1, 2028.

[†] 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.

BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)

BOARD OF TRUSTEES*

Tom Nelson, *President*
Gary Nance, *Clerk*
Peter Emmons, *Member*
Nicole Hamblin, *Member*

DISTRICT ADMINISTRATION

Don Aust, *Superintendent*
Jim Donahoe, *Director of Administration*

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

* There is currently a vacancy on the Board, which the District expects will be filled by September, 2019.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

Stabilization of and Changes to Offering Prices. The Underwriter may over allot 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.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE BONDS	3
Authority for Issuance	3
Purpose of Issue	3
Description of the Bonds	3
Book-Entry Only System	4
Redemption	4
Notice of Redemption	6
Partial Redemption of Bonds	6
Effect of Redemption	6
Right to Rescind Notice of Redemption	6
Registration, Transfer and Exchange of Bonds	7
Defeasance and Discharge of Bonds	7
DEBT SERVICE SCHEDULES	9
SOURCES AND USES OF FUNDS	11
SECURITY FOR THE BONDS	12
<i>Ad Valorem</i> Taxes	12
Building Fund	13
Debt Service Fund	13
Not a County Obligation	13
PROPERTY TAXATION	14
Property Tax Collection Procedures	14
Taxation of State-Assessed Utility Property	14
Assessed Valuation	15
Reassessments and Appeals of Assessed Value	17
Tax Levies and Delinquencies	18
Tax Rates	20
Top 20 Property Owners	21
Direct and Overlapping Debt	22
TAX MATTERS	23
Tax Exemption	23
CERTAIN LEGAL MATTERS	25
Legality for Investment	25
Absence of Litigation	25
Compensation of Certain Professionals	25
CONTINUING DISCLOSURE	25
RATING	26
UNDERWRITING	26
ADDITIONAL INFORMATION	26
EXECUTION	27
APPENDIX A - GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT	
APPENDIX B - BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18	
APPENDIX C - ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT SHASTA COUNTY	
APPENDIX D - PROPOSED FORM OF OPINION OF BOND COUNSEL	
APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX F - DTC AND THE BOOK-ENTRY ONLY SYSTEM	
APPENDIX G - SHASTA COUNTY INVESTMENT POLICY AND INVESTMENT REPORT	

INTENTIONALLY LEFT BLANK

\$2,000,000
BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series 2019B
(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 Black Butte Union Elementary School District (the “**District**”).

INTRODUCTION

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

The District. The District provides educational services to the residents in and around Shingletown, a census designated place in Shasta County (the “**County**”), in the State of California (the “**State**”). The District consists of an early childhood learning center, an elementary school serving kindergarten through 5th grade, and a junior high school serving grades 6th through 8th. Enrollment in the District was 210 students in fiscal year 2018-19 and is budgeted for 210 students for fiscal year 2019-20.

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

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on June 7, 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 to authorize \$4 million of general obligation bonds, and will be issued pursuant to certain provisions of the Government Code of the State and a resolution adopted by the Board of Trustees of the District on August 13, 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 The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC’s book-entry only system (“**DTC Participants**”) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

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

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

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

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

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

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

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 7946 Ponderosa Way, Shingletown, CA 96088, Telephone: (530) 474-3441. The District may impose a charge for copying, mailing and handling.

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 \$4,000,000 (the “**2016 Authorization**”).

On November 9, 2016, the District issued its \$2,000,000 aggregate principal amount of General Obligation Bonds Election of 2016, Series 2016A (the “**Series 2016A Bonds**”) pursuant to the 2016 Authorization. Following the issuance of the Bonds, there will be no unused authorization 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 June 7, 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; upgrade/renovate/modernize outdated classrooms, restrooms and school facilities; improve student safety and security; repair/replace leaky roofs; renovate electrical and plumbing systems; upgrade multi-purpose rooms/gyms; and repair playground surfaces; shall the Black Butte Union Elementary School District issue \$4,000,000 of bonds at legal interest rates, have an independent citizens’ oversight committee, annual audits, and have NO money used for administrative or teacher 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 (15th) day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to 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 Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

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

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

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

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 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 February 1, 2028, 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, 2034, August 1, 2039, 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, respectively, without premium.

Term Bonds Maturing August 1, 2034

Redemption Date (August 1)	Sinking Fund Redemption
2024	\$5,000
2025	5,000
2026	10,000
2027	5,000
2028	5,000
2029	10,000
2030	15,000
2031	15,000
2032	20,000
2033	25,000
2034 (maturity)	30,000

Term Bonds Maturing August 1, 2039

Redemption Date (August 1)	Sinking Fund Redemption
2035	\$35,000
2036	40,000
2037	45,000
2038	55,000
2039 (maturity)	65,000

Term Bonds Maturing August 1, 2044

Redemption Date (August 1)	Sinking Fund Redemption
2040	\$70,000
2041	75,000
2042	85,000
2043	90,000
2044 (maturity)	100,000

Term Bonds Maturing August 1, 2049

Redemption Date (August 1)	Sinking Fund Redemption
2045	\$110,000
2046	120,000
2047	255,000
2048	275,000
2049 (maturity)	295,000

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 shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice may be a conditional notice of redemption and subject to rescission as set forth below.

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

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

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

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

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

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity,

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

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

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

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

DEBT SERVICE SCHEDULES

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

Black Butte Union Elementary School District General Obligation Bonds Election of 2016, Series 2019B Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2020	\$65,000.00	\$68,338.33	\$133,338.33
2021	75,000.00	76,650.00	151,650.00
2022	--	74,400.00	74,400.00
2023	--	74,400.00	74,400.00
2024	5,000.00	74,400.00	79,400.00
2025	5,000.00	74,200.00	79,200.00
2026	10,000.00	74,000.00	84,000.00
2027	5,000.00	73,600.00	78,600.00
2028	5,000.00	73,400.00	78,400.00
2029	10,000.00	73,200.00	83,200.00
2030	15,000.00	72,800.00	87,800.00
2031	15,000.00	72,200.00	87,200.00
2032	20,000.00	71,600.00	91,600.00
2033	25,000.00	70,800.00	95,800.00
2034	30,000.00	69,800.00	99,800.00
2035	35,000.00	68,600.00	103,600.00
2036	40,000.00	67,200.00	107,200.00
2037	45,000.00	65,600.00	110,600.00
2038	55,000.00	63,800.00	118,800.00
2039	65,000.00	61,600.00	126,600.00
2040	70,000.00	59,000.00	129,000.00
2041	75,000.00	56,200.00	131,200.00
2042	85,000.00	53,200.00	138,200.00
2043	90,000.00	49,800.00	139,800.00
2044	100,000.00	46,200.00	146,200.00
2045	110,000.00	42,200.00	152,200.00
2046	120,000.00	37,800.00	157,800.00
2047	255,000.00	33,000.00	288,000.00
2048	275,000.00	22,800.00	297,800.00
2049	295,000.00	11,800.00	306,800.00
TOTAL	\$2,000,000.00	\$1,832,588.33	\$3,832,588.33

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.

Period Ending August 1	Series 2016A Bonds	The Bonds	Aggregate Debt Service
2020	\$62,112.50	\$133,338.33	\$195,450.83
2021	67,112.50	151,650.00	218,762.50
2022	67,012.50	74,400.00	141,412.50
2023	71,912.50	74,400.00	146,312.50
2024	71,712.50	79,400.00	151,112.50
2025	76,512.50	79,200.00	155,712.50
2026	76,212.50	84,000.00	160,212.50
2027	90,912.50	78,600.00	169,512.50
2028	94,712.50	78,400.00	173,112.50
2029	98,312.50	83,200.00	181,512.50
2030	101,712.50	87,800.00	189,512.50
2031	104,912.50	87,200.00	192,112.50
2032	107,912.50	91,600.00	199,512.50
2033	110,712.50	95,800.00	206,512.50
2034	113,312.50	99,800.00	213,112.50
2035	120,712.50	103,600.00	224,312.50
2036	122,712.50	107,200.00	229,912.50
2037	129,512.50	110,600.00	240,112.50
2038	125,912.50	118,800.00	244,712.50
2039	127,987.50	126,600.00	254,587.50
2040	134,900.00	129,000.00	263,900.00
2041	141,487.50	131,200.00	272,687.50
2042	142,750.00	138,200.00	280,950.00
2043	148,850.00	139,800.00	288,650.00
2044	154,625.00	146,200.00	300,825.00
2045	160,075.00	152,200.00	312,275.00
2046	165,200.00	157,800.00	323,000.00
2047	--	288,000.00	288,000.00
2048	--	297,800.00	297,800.00
2049	--	306,800.00	306,800.00
TOTAL	\$2,989,812.50	\$3,832,588.33	\$6,822,400.83

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	\$2,000,000.00
Original Issue Premium	246,466.95
Total Sources	<u>\$2,246,466.95</u>

Uses of Funds

Building Fund	\$1,880,000.00
Debt Service Fund	216,466.95
Costs of Issuance ⁽¹⁾	150,000.00
Total Uses	<u>\$2,246,466.95</u>

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

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

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

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

Economic Conditions. Economic and other factors beyond the District’s control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See “PROPERTY TAXATION - Assessed Valuation” for additional information about recent notable disasters in the State.

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the “Black Butte Union Elementary School District, Election of 2016, Series 2019B Building Fund” (the “**Building Fund**”), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the “Black Butte Union Elementary School District, Election of 2016, Series 2019B Debt Service Fund” (the “**Debt Service Fund**”) for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

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

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“**SBE**”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary property”, a concept designed to permit assessment of the utility as a going concern rather than

assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

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

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

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

BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2006-07 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2006-07	\$396,880,193	\$216,120	\$4,696,418	\$401,792,731	-- %
2007-08	433,532,313	540,186	5,050,951	439,123,450	9.3
2008-09	465,320,998	522,086	4,676,209	470,519,293	7.2
2009-10	452,334,355	523,307	5,348,956	458,206,618	(2.6)
2010-11	420,889,068	517,739	4,698,660	426,105,467	(7.0)
2011-12	406,159,620	482,630	4,139,226	410,781,476	(3.6)
2012-13	392,161,129	474,610	4,634,507	397,270,246	(3.3)
2013-14	409,411,380	466,589	4,299,134	414,177,103	4.3
2014-15	429,838,872	459,129	3,791,549	434,089,550	4.8
2015-16	439,249,863	382,784	4,331,879	443,964,526	2.3
2016-17	456,806,844	390,804	3,987,435	461,185,083	3.9
2017-18	478,276,582	392,697	4,139,804	482,416,386	4.6
2018-19	498,113,518	392,697	4,500,267	503,006,482	4.3

Source: California Municipal Statistics, Inc.

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

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District’s boundaries, the District cannot predict or make any representations

regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

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

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

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

	2018-19 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural/Timber	\$53,947,960	10.83%	1,313	29.20%
Commercial	11,670,275	2.34	37	0.82
Vacant Commercial	679,958	0.14	9	0.20
Industrial	1,341,553	0.27	4	0.09
Recreational Properties	10,467,600	2.10	122	2.71
Government/Social/Institutional	<u>0</u>	<u>0.00</u>	<u>306</u>	<u>6.80</u>
Subtotal Non-Residential	\$78,107,346	15.68%	1,791	39.83%
Residential:				
Single Family Residence	\$347,143,645	69.69%	1,844	41.01%
Mobile Home	64,126,692	12.87	717	15.94
Mobile Home Park	2,519,067	0.51	5	0.11
2+ Residential Units	152,729	0.03	1	0.02
Vacant Residential	<u>6,064,039</u>	<u>1.22</u>	<u>139</u>	<u>3.09</u>
Subtotal Residential	\$420,006,172	84.32%	2,706	60.17%
Total	\$498,113,518	100.00%	4,497	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 of single family parcels in the District.

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

	<u>No. of Parcels</u>	<u>2018-19 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	1,844	\$347,143,645	\$188,256	\$170,257

<u>2018-19 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	62	3.362%	3.362%	\$ 1,037,291	0.299%	0.299%
\$25,000 - \$49,999	89	4.826	8.189	3,264,114	0.940	1.239
\$50,000 - \$74,999	98	5.315	13.503	6,179,798	1.780	3.019
\$75,000 - \$99,999	125	6.779	20.282	10,994,325	3.167	6.186
\$100,000 - \$124,999	163	8.839	29.121	18,566,328	5.348	11.535
\$125,000 - \$149,999	217	11.768	40.889	29,953,421	8.629	20.163
\$150,000 - \$174,999	195	10.575	51.464	31,489,475	9.071	29.234
\$175,000 - \$199,999	173	9.382	60.846	32,287,646	9.301	38.535
\$200,000 - \$224,999	132	7.158	68.004	27,918,309	8.042	46.577
\$225,000 - \$249,999	139	7.538	75.542	32,843,816	9.461	56.039
\$250,000 - \$274,999	111	6.020	81.562	29,022,309	8.360	64.399
\$275,000 - \$299,999	70	3.796	85.358	20,038,304	5.772	70.171
\$300,000 - \$324,999	68	3.688	89.046	21,157,414	6.095	76.266
\$325,000 - \$349,999	51	2.766	91.811	17,132,235	4.935	81.201
\$350,000 - \$374,999	43	2.332	94.143	15,535,287	4.475	85.676
\$375,000 - \$399,999	38	2.061	96.204	14,671,977	4.226	89.903
\$400,000 - \$424,999	18	0.976	97.180	7,397,304	2.131	92.034
\$425,000 - \$449,999	10	0.542	97.722	4,353,961	1.254	93.288
\$450,000 - \$474,999	14	0.759	98.482	6,429,068	1.852	95.140
\$475,000 - \$499,999	8	0.434	98.915	3,879,714	1.118	96.258
\$500,000 and greater	<u>20</u>	<u>1.085</u>	100.000	<u>12,991,549</u>	<u>3.742</u>	100.000
Total	1,844	100.000%		\$347,143,645	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

Tax Levies and Delinquencies

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 the above, the table below shows secured tax charge and delinquency rates for fiscal years 2013-14 through 2017-18.

BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
Fiscal Years 2013-14 through 2017-18
Secured Tax Charges and Delinquency Rates

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2013-14	\$ 1,101,781.70	\$27,257.89	2.47%
2014-15	1,141,860.58	20,168.94	1.77
2015-16	1,178,776.52	19,180.03	1.63
2016-17	1,218,945.69	18,959.84	1.56
2017-18	1,250,395.35	19,661.27	1.57

⁽¹⁾ 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (All Tax Rates in District) within the District for fiscal years 2014-15 through 2018-19.

BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
Typical Total Tax Rates per \$100 of Assessed Valuation (All Tax Rates in District)
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Shasta Union High School District	.0235	.0213	.0202	.0397	.0475
Shasta-Tehama-Trinity Community College	.0107	.0051	.0057	.0267	.0097
Black Butte Union School District	--	--	.0300	.0308	.0232
Total Tax Rate	\$1.0342	\$1.0264	\$1.0559	\$1.0972	\$1.0804

Source: California Municipal Statistics, Inc.

Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 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.

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

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Seven Hill LLC	Winery/Vineyards	\$ 7,811,159	1.57%
2.	Sierra Pacific Industries	Timber	3,591,576	0.72
3.	Spire LLC	Rural	3,278,674	0.66
4.	Shasta Forests Timberlands LLC	Timber	3,275,861	0.66
5.	Red River Forests Partnership	Timber	2,345,189	0.47
6.	Alan Kurt & Ruth Ellen Stahl Trust	Residential	1,537,455	0.31
7.	Storagesmith LLC	Public Storage	1,350,000	0.27
8.	James Karr, Trustee	Residential	1,297,369	0.26
9.	Real Leasing LLC	Agricultural	1,282,124	0.26
10.	Carl G. & Sonia K. Reed Trust	Commercial	1,155,542	0.23
11.	Sterling Ranch Estates LLC	Rural	1,076,275	0.22
12.	William Charles & Lorri Ann Hackler Trust	Industrial	1,075,944	0.22
13.	Kenning Properties Inc.	Residential	1,062,313	0.21
14.	DG-Shingletown CA-1-UT LLC	Discount Store	1,002,860	0.20
15.	Frank J. Lo Preste Revocable Trust	Residential	900,000	0.18
16.	Frederick D. & Debra I. Wendt	Residential	874,200	0.18
17.	Arnold F. Matson Trust	Mobile Home Park	843,482	0.17
18.	Johannessen 1990 Family Trust	Residential	812,801	0.16
19.	William F. Sexauer Trust	Residential	807,367	0.16
20.	Mt. Lassen RV Park	RV Park	<u>795,600</u>	<u>0.16</u>
			\$36,175,791	7.26%

(1) 2018-19 local secured assessed valuation: \$498,113,518.
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 August 2, 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.

**BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of August 2, 2019)**

2018-19 Assessed Valuation: \$503,006,482

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/2/19</u>
Shasta-Tehama-Trinity Community College District	2.007%	\$1,280,667
Shasta Union High School District	4.807	2,058,454
Black Butte School District	100.000	<u>1,790,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,129,121
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Shasta County General Fund Obligations	2.828%	\$703,606
Shasta-Tehama-Trinity Community College District Certificates of Participation	2.007	131,358
Shasta Union High School District Certificates of Participation	4.807	46,868
Shasta Regional Transportation Agency General Fund Obligations	2.828	<u>21,239</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$903,071
 COMBINED TOTAL DEBT		\$6,032,192 ⁽²⁾

Ratios to 2018-19 Assessed Valuation:

DIRECT DEBT (\$1,790,000)	0.36%
Total Direct and Overlapping Tax and Assessment Debt.....	1.02%
Combined Total Debt.....	1.20%

(1) Excludes the Bonds offered for sale hereunder.

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

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Exemption

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

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the 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, and Isom Advisors, a Division of Urban Futures, Inc., as financial advisor to the District, 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**”).

In the previous five years, the District has not had any instances of material non-compliance with its existing undertakings. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

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

RATING

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of \$2,216,466.95, which is equal to the initial principal amount of the Bonds of \$2,000,000.00, plus original issue premium of \$246,466.95 less an Underwriter's discount of \$30,000.00.

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.

The Underwriter has entered into a distribution agreement (the "**Schwab Agreement**") with Charles Schwab & Co., Inc. ("**CS&Co.**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any bonds that CS&Co. sells.

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.

**BLACK BUTTE UNION ELEMENTARY SCHOOL
DISTRICT**

By: /s/ Don Aust
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

Black Butte Union Elementary School District (the "**District**") is located in Shingletown, a census-designated place within Shasta County (the "**County**").

The District is an elementary school district providing education for students in grades kindergarten through eight. The District currently operates an early childhood learning center, an elementary school, and a junior high school. Total enrollment for the fiscal year 2018-19 school year was 210 students with a projected enrollment for fiscal year 2019-20 to be 209 students.

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

Administration

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. There is currently a vacancy on the Board, which the District expects will be filled by September, 2019. Current members of the Board, together with their office and the date their term expires, are listed below.

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Tom Nelson	President	December 2022
Gary Nance	Clerk	December 2022
Peter Emmons	Member	December 2020
Nicole Hamblin	Member	December 2020

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Don Aust is currently the Superintendent of the District and Jim Donahue is Director of Business Administration.

Recent Enrollment Trends

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

ANNUAL ENROLLMENT
Fiscal Years 2009-10 through 2019-20
Black Butte Union Elementary School District

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>% Change</u>
2009-10	221	--%
2010-11	207	(6.3)
2011-12	219	5.8
2012-13	208	(5.0)
2013-14	186	(10.6)
2014-15	204	9.7
2015-16	201	(1.5)
2016-17	213	6.0
2017-18	211	(0.9)
2018-19	210	(0.5)
2019-20 ⁽¹⁾	209	(0.5)

(1) Budgeted.

Source: California Department of Education for 2009-10 through 2018-19; Black Butte Union Elementary School District for 2019-20.

Employee Relations

The District has 12.5 certificated full-time equivalent (“FTE”) employees, 13.1 classified FTE employees, and 3.0 management/supervisor/confidential FTE employees.

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

BARGAINING UNITS
Black Butte Union Elementary School District

<u>Employee Group</u>	<u>Representation</u>	<u>Contract Expiration Date</u>
Certificated	California Teachers’ Association	June 30, 2020
Classified	Teamsters Local #137	June 30, 2020

Source: The District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

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

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

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

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 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 K Coe Isom, LLP, Redding, 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 Assistant Superintendent, Business and Operations of the District. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

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

**GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18 (Audited)
Black Butte Union Elementary School District ⁽¹⁾**

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18
<u>Revenues</u>					
Property Taxes	\$1,239,167	\$1,298,062	\$1,334,171	\$1,384,359	\$1,459,763
LCFF	544,825	537,151	521,295	629,060	537,776
Other State Revenue	130,834	87,770	215,553	182,211	391,790
Federal Revenue	293,489	354,164	291,547	248,247	280,914
Other Local Revenue	116,168	106,517	134,201	126,015	106,831
Total Revenues	2,324,483	2,383,664	2,496,767	2,569,892	2,777,074
<u>Expenditures</u>					
Current:					
Instruction	1,136,686	1,288,039	1,335,991	1,431,795	1,442,791
Instruction-Related Services	238,549	226,138	333,844	226,602	249,440
Pupil Services	269,805	282,834	311,988	290,145	348,232
Ancillary Services	16,135	19,237	19,210	20,152	16,459
Community Services	3,359	3,519	1,694	5,720	3,773
General Administration	201,365	208,381	215,445	257,214	258,019
Plant Services	235,109	193,106	223,182	217,122	270,709
Debt Service:					
Principal	21,982	24,727	27,771	31,073	31,246
Interest and Other Charges	10,140	8,770	7,161	5,332	3,390
Capital Outlay	--	--	--	--	--
Total Expenditures	2,133,130	2,254,751	2,482,693	2,485,155	2,630,663
Excess of Revenues Over/(Under) Expenditures	191,353	128,913	14,074	84,737	146,411
<u>Other Financing Sources (Uses)</u>					
Interfund Transfers In	--	--	--	--	--
Interfund Transfers Out	(42,414)	(6,000)	(6,890)	(28,153)	(95,276)
Proceeds from Capital Leases	--	--	--	--	--
Total Other Financing Sources (Uses)	(42,414)	(6,000)	(6,890)	(28,153)	(95,276)
Special Item: Insurance Reimbursement from Theft of Assets					
	13,233	--	--	--	--
Net Change in Fund Balance	162,172	122,913	7,184	56,584	51,135
Fund Balances, beginning of fiscal year (July 1)	826,228	988,400	1,111,313	1,118,497	1,175,081
Fund Balance, end of fiscal year (June 30)	\$988,400	\$1,111,313	\$1,118,497	\$1,175,081	\$1,226,216

(1) Figures may not sum to totals due to rounding.
Source: Black Butte 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 the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

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

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2018-19 (estimated actuals) and 2019-20 (adopted budget).

**BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (Estimated Actuals)
Fiscal Year 2019-20 (Adopted Budget)**

	Estimated Actuals	Adopted Budget
Revenues	2018-19	2019-20
Total LCFF Sources	\$2,157,274	\$2,218,768
Federal Revenues	248,750	214,972
Other state revenues	172,651	137,475
Other local revenues	165,201	140,452
Total Revenues	2,743,876	2,711,667
<u>Expenditures</u>		
Instruction	1,520,379	1,694,917
Instruction-Related Services	267,614	288,584
Pupil Services	311,592	520,889
Ancillary Services	24,438	28,823
Community Services	20,844	21,341
General Administration	254,975	262,970
Plant Services	422,172	211,325
Other Outgo	39,004	--
Total Expenditures	2,861,018	3,028,849
Excess of Revenues Over/(Under) Expenditures	(117,142)	(317,182)
<u>Other Financing Sources (Uses)</u>		
Operating transfers in	11,844	11,844
Operating transfers out	(11,844)	(11,844)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	--	--
Net change in fund balance	(117,142)	(317,182)
Fund Balance, July 1	1,143,177	1,026,035
Fund Balance, June 30	\$1,026,035	\$708,853

Source: Black Butte Union Elementary School District Adopted Budget for fiscal year 2019-20.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District has a board-adopted policy to maintain reserves of at least 6% of expenditures in an unrestricted reserve fund.

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

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

Attendance - Revenue Limit and LCFF Funding

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

**BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2013-14 through 2018-19 (Budgeted)**

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	177	\$9,966
2014-15	185	9,755
2015-16	188	9,733
2016-17	191	10,415
2017-18	194	10,196
2018-19 ⁽¹⁾	199	10,841
2019-20 ⁽²⁾	193	11,150

(1) Estimated Actuals.

(2) Budgeted.

Source: California Department of Education; Black Butte 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 75% for purposes of calculating supplemental and concentration grant funding under LCFF.

Revenue Sources

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

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

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

The principal component of local revenues is the school district’s property tax revenues, i.e., the district’s share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit

before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

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

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

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

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

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

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

District Retirement Systems

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

as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

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

**STRS Contributions
Black Butte Union Elementary School District
Fiscal Years 2013-14 through 2019-20 (Projected)**

Fiscal Year	Amount
2013-14	\$62,957
2014-15	72,269
2015-16	91,167
2016-17	113,491
2017-18	133,804
2018-19 ⁽¹⁾	230,299
2019-20 ⁽²⁾	278,499

(1) Estimated Actuals.

(1) Budgeted.

Source: Black Butte 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 through 2018-19 were 10.73%, 12.58%, 14.43% and 16.28%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

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

Fiscal Year	Employer Contribution Rate⁽¹⁾
2019-20	17.10%
2020-21	18.40
2021-22	18.60
2022-23	18.10

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

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

**PERS Contributions
Black Butte Union Elementary School District
Fiscal Years 2013-14 through 2019-20 (Projected)**

Fiscal Year	Amount
2013-14	\$40,530
2014-15	44,449
2015-16	47,605
2016-17	54,473
2017-18	62,616
2018-19 ⁽¹⁾	65,442
2019-20 ⁽¹⁾	83,939

(1) Estimated Actuals.
(2) Budgeted.
Source: Black Butte 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	19.721%
2020-21	22.900
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

Source: PERS

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

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

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

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

Additional Information. Additional information regarding the District's retirement programs is available in Note 16 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

Plan Description. The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit health care plan administered by the District (the “Plan”). The District provides postemployment health care benefits to all certificated employees who retire from the District on or after attaining age 60 with at least ten years of continuous service in the District. The District contributes \$100 per month toward health care insurance for certificated employees who meet the requirements, until retiree reaches age 65.

At June 30, 2018, the plan has 2 retirees receiving benefits and 13 active plan members for a total of 15 plan members.

Contributions. The District’s agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District’s Board of Trustees through the collective bargaining process. The members receiving benefits vary depending on the level of coverage selected.

Total OPEB Liability. The District’s net OPEB liability was measured as of June 30, 2018, using an annual actuarial valuation of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The June 30, 2018 total OPEB liability was based on the actuarial methods and assumptions described below.

Actuarial Assumptions. The District’s total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: the entry age level percent of pay actuarial cost method was used, salary increases 3.00%, discount rate 3.90%, net of investment expenses, but gross of administrative expenses, was based on the Bond Buyer 20-Bond General Obligation Index, consumer price inflation 2.25%, healthcare cost trend rate-pre-65 8.00% for fiscal year 2017-18, decreasing 1.00% annually to an ultimate rate of 5.00% in fiscal year 2020-21. 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% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

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

**CHANGES IN TOTAL OPEB LIABILITY
Black Butte Union Elementary School District**

Changes for the Year Ended June 30, 2018

Service Cost	\$432
Interest	929
Changes of Assumptions	(191)
Benefit payments-including refunds of employee contributions	<u>(6,268)</u>
Net Change in Total OPEB liability	(5,098)
Total OPEB liability-Beginning of Year	<u>28,515</u>
Total OPEB liability-End of Year	\$23,417

Covered-employee payroll	\$1,466,318
District's net OPEB liability as a percentage of covered-employee payroll	1.60%

Source: Black Butte Union Elementary School District.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB. For the year ended June 30, 2018, the District recognized OPEB expense of \$1,333.

Insurance – Joint Powers Agreement

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (“**JPA**s”): Northern California Schools Insurance Group (“**NCSIG**”), California’s Valued Trust (“**CVT**”), Schools Excess Liability Fund (“**SELF**”), and Shasta-Trinity Schools Insurance Group (“**STSIG**”). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, health care, workers’ compensation, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District’s share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

Existing Debt Obligations

General Obligation Bonds. Prior to the issuance of the Bonds, the District has one outstanding issuance of general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds.

The District received authorization at an election held on June 7, 2016, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed \$4,000,000 (the “**2016 Authorization**”). On November 9, 2016, the District issued its General Obligation Bonds, Election of 2016, Series 2016A in the aggregate principal amount of \$2,000,000 (the “**Series 2016A Bonds**”). The Series 2016A Bonds were issued as current interest bonds, mature in 2046, and are currently outstanding in the aggregate principal amount of \$1,790,000.

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

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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

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

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

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

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

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

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

Recent State Budgets

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

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

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

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

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of \$214.8 billion, with \$147.8 billion in general fund spending. The 2019-20 State Budget provides for \$81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of \$2.7 billion, or 3.4%, from the 2018-19 State budget. Of that \$81.1 billion, \$62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to \$16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a \$900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- \$1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional \$1.2 billion of ongoing Proposition 51 bond funds;
- \$5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;
- \$300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;
- \$645.3 million ongoing funding for special education, including \$152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.
- \$147.4 million one-time and ongoing funding to address the shortage of teachers;
- \$918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;
- \$518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding \$530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;
- \$460 million one-time general funding to increase the quality and availability of child care, including \$263 million for child care and preschool facilities

expansion and \$195 million for childcare and preschool workforce development;

- one-time funding of \$750 million to support local governments in increasing and accelerating housing production; and
- one-time funding of \$650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

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

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

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D 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 XIII A and all applicable laws.

Constitutionally Required Funding of Education

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

Article XIII A of the California Constitution

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

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

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

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

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the 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 XIII B of the California Constitution

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

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

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

Article 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 XIID 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 XIID (respectively, "**Article XIIIC**" and "**Article XIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article 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 XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

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

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

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available 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 XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (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 XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

**BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Black Butte Union Elementary School District

**County of Shasta
Shingletown, California**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2018



**K · C O E
I S O M**

Black Butte Union Elementary School District

TABLE OF CONTENTS

June 30, 2018

	<u>Page Number</u>
Independent Auditors' Report	1
 FINANCIAL SECTION	
 Required Supplementary Information	
Management's Discussion and Analysis	6
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Fund Balances to Government-Wide Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of Net Change in Fund Balances to Change in Net Position	20
Statement of Fiduciary Net Position – Fiduciary Funds	22
Notes to the Financial Statements	23
 Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	56
Budgetary Comparison Schedule – Child Development Fund	57
Notes to the Budgetary Comparison Schedules	58
Schedule of Changes in District's Total OPEB Liability and Related Ratios	59
Schedule of District's Proportionate Share of the Net Pension Liability – California State Teachers' Retirement System	60
Schedule of District's Contributions – California State Teachers' Retirement System	61
Schedule of District's Proportionate Share of the Net Pension Liability – California Public Employees' Retirement System	62
Schedule of District's Contributions – California Public Employees' Retirement System	63
Notes to the Required Supplementary Information	64
 OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Educational Agency Organization Structure	67
Schedule of Charter Schools	68
Schedule of Average Daily Attendance	69
Schedule of Instructional Time	70
Schedule of Financial Trends and Analysis	71
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	72
Note to the Other Supplementary Information	73

Black Butte Union Elementary School District

TABLE OF CONTENTS

June 30, 2018

**Page
Number**

OTHER REPORTS SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	75
Independent Auditors' Report on State Compliance	77

FINDINGS AND QUESTIONED COSTS SECTION

Schedule of Findings and Questioned Costs	81
Corrective Action Plan	83
Summary Schedule of Prior Audit Findings	84

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Black Butte Union Elementary School District
Shingletown, 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 Black Butte 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinions

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

Other Matters

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

Other Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 67 to 72 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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 information on pages 69 to 72 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT

(Continued)

The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Jam, LLP

November 29, 2018
Redding, California

FINANCIAL SECTION

Required Supplementary Information

Black Butte Union Elementary School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

An overview of the Black Butte Union Elementary School District's (the District) financial activities for the fiscal year ended June 30, 2018, is provided in this discussion and analysis of the District's financial performance.

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2017, has not been restated to reflect OPEB expense accounting as required by GASB Statement No. 75, as amended by GASB Statement No. 85. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2016-17 and 2017-18 due to information for the two years not being comparable.

This management's discussion and analysis should be read in conjunction with the District's financial statements (including notes and supplementary information).

FINANCIAL HIGHLIGHTS

Overall expenses of \$3,203,157 exceeded revenues of \$3,140,710 by \$62,447.

Total net position in governmental activities was \$3,004,822. The General Fund reported a total fund balance of \$1,226,216, which includes the Deferred Maintenance Fund of \$83,039.

Enrollment based on CalPADS in the District increased 0.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two financial statements report the District's net position and how it has changed.

Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

Black Butte Union Elementary School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The statement of net position and the statement of activities divide the District into two kinds of activities:

Governmental Activities: Represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-Type Activities: Represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Fund Financial Statements

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

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). Other funds may also show proper usage of certain revenues (such as federal grants).

The District has two types of funds:

Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year end that are available for spending.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided at the bottom of the governmental fund financial statements that explains the differences (or relationships) between them.

Fiduciary Funds

For assets that belong to others, such as the student activities funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net position reports the District's fiduciary activities. These activities are excluded from the government-wide financial statements as the assets cannot be used by the District to finance its operations.

Black Butte Union Elementary School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As shown in the following table, the District's net position as of June 30, 2018, was \$3,004,822. Of this amount, a negative \$1,105,447 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board of Trustees' ability to use the net position for day-to-day operations. All District net position is the result of governmental activities.

June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
ASSETS			
Current assets	\$ 3,233,187	\$ 1,523,245	-52.9%
Capital assets - net of accumulated depreciation	4,328,126	5,727,286	32.3%
TOTAL ASSETS	7,561,313	7,250,531	-4.1%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	439,256	703,856	60.2%
LIABILITIES			
Current liabilities	408,355	157,725	-61.4%
Long-term debt - net of current maturities	4,446,453 *	4,628,240	4.1%
TOTAL LIABILITIES	4,854,808 *	4,785,965	-1.4%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for OPEB	-	163	N/A
Deferred inflows of resources for pensions	78,492	163,437	108.2%
TOTAL DEFERRED INFLOWS OF RESOURCES	78,492	163,600	108.4%
NET POSITION			
Net investment in capital assets	3,681,601	3,746,075	1.8%
Restricted	1,734,459	364,194	-79.0%
Unrestricted	(2,348,791) *	(1,105,447)	52.9%
TOTAL NET POSITION	\$ 3,067,269 *	\$ 3,004,822	-2.0%

* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.

Black Butte Union Elementary School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Change in Net Position

The District's total revenues were \$3,140,710. Property taxes and federal and state aid not restricted accounted for most of the District's revenue, contributing about 71%. Another 26% came from state and federal aid for specific programs. The remaining 3% came from miscellaneous sources.

The following table summarizes the changes in net position for the District.

Year Ended June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
REVENUES			
Program Revenues			
Charges for services	\$ 17,056	\$ 11,114	-34.8%
Federal and state categorical programs	569,614	824,328	44.7%
General Revenues			
Property taxes	1,522,043	1,609,315	5.7%
Federal and state aid not restricted	710,309	608,968	-14.3%
Other	89,384	86,985	-2.7%
TOTAL REVENUES	2,908,406	3,140,710	8.0%
EXPENSES			
Instruction-related services	1,838,085	1,995,241	8.5%
Student support services	463,280	537,905	16.1%
Maintenance and operations	240,778	300,297	24.7%
Administration	269,161	282,852	5.1%
Other	212,552	86,862	-59.1%
TOTAL EXPENSES	3,023,856	3,203,157	5.9%
Change in Net Position	\$ (115,450)	\$ (62,447)	45.9%

Black Butte Union Elementary School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$1,392,484, a decrease of \$1,459,978 from the previous year. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2017	2018	
General	\$ 1,175,081	\$ 1,226,216	\$ 51,135
Cafeteria Special Revenue	13,173	13,264	91
Building	1,449,412	-	(1,449,412)
Capital Facilities	91,494	25,433	(66,061)
Bond Interest and Redemption	123,302	127,571	4,269
Totals	\$ 2,852,462	\$ 1,392,484	\$ (1,459,978)

The increase in the General Fund is due in part to Proposition 39 Energy grant revenue.

The decrease in the Building Fund is due to the completion of the 2016 GO bond modernization project.

The decrease in the Capital Facilities Fund is due to a portion of the fund used to reconstruct one classroom during the modernization project.

The increase in the Bond Interest and Redemption Fund is due to voter indebtedness.

General Fund Budgetary Highlights

During the course of the year, the District revises its budget as information is available that results in changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in the budgetary comparison schedule for the General Fund.

The District budgeted revenues and other financing sources to exceed expenditures and other financing uses by \$41,299 in the General Fund. However, actual results for the year reflected an increase in the General Fund of \$51,135.

- The District received \$21,799 less than budgeted from property taxes and \$4,717 more than budgeted from federal revenue. The District also received \$48,120 more than budgeted in state revenues and \$29,061 less than budgeted in local revenue and interest earnings.
- Actual expenditures for books and supplies were \$1,207 less than the budgeted amounts, services and operating expenditures were \$2,457 less than budgeted amounts, and salaries' and benefits' costs were \$3,988 less than budget.

Black Butte Union Elementary School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$10,593,147 in capital assets including site improvements, buildings, and equipment. The District began its GO bond modernization project and had \$2,076,803 in construction for the 2017-18 school year.

June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
Land	\$ 380,330	\$ 380,330	0.0%
Buildings and improvements	7,413,094	9,489,897	28.0%
Equipment	722,920	722,920	0.0%
Construction in progress	445,049	-	-100.0%
Total Capital Assets	\$ 8,961,393	\$ 10,593,147	18.2%

Long-Term Debt

At year end, the District had \$4,628,240 in outstanding long-term debt. The following table shows the detail of that balance.

June 30	Governmental Activities		Percentage Change 2017-18
	2017	2018	
Capital lease	\$ 68,846	\$ 37,600	-45.4%
General obligation bonds	2,027,092	1,943,611	-4.1%
Early retirement incentives	20,698	14,386	-30.5%
Compensated absences	31,930	24,349	-23.7%
Total OPEB liability	28,515 *	23,417	-17.9%
Net pension liability	2,269,372	2,584,877	13.9%
Total Long-Term Debt	\$ 4,446,453 *	\$ 4,628,240	4.1%

* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.

The capital lease decreased \$31,246 due to lease purchase payments for the solar array at the elementary site. General obligation bonds decreased \$83,481 due to regularly scheduled payments. Early retirement incentives decreased due to yearly payments made in 2017-18 of \$6,312. The net pension liability increased due to an increase in net pension liability reported by CalSTRS and CalPERS.

Black Butte Union Elementary School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

The uncertainty of the state economy could pose a risk to the District's finances. The Board of Trustees has consistently demonstrated in the past that it is prepared to take the steps necessary to ensure the District's solvency. Reserves have been maintained to help alleviate some of the state budget cuts.

The District has contracts with its bargaining groups through June 30, 2018, for classified staff and certificated staff. The contracts allow for renegotiation of compensation issues each year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. For questions regarding this report or for additional financial information, please contact:

Jim Donahue, Director of Administration
Black Butte Union Elementary School District
7752 Ponderosa Way
Shingletown, CA 96088

Basic Financial Statements

Black Butte Union Elementary School District
STATEMENT OF NET POSITION

June 30, 2018	Governmental Activities
ASSETS	
Cash and investments	\$ 1,405,467
Accounts receivable	6,015
Due from other governments	103,918
Inventories	7,845
Nondepreciated capital assets	380,330
Depreciated capital assets	10,212,817
Accumulated depreciation	(4,865,861)
TOTAL ASSETS	7,250,531
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	703,856
LIABILITIES	
Overdraft in county treasury	29,144
Accounts payable and other current liabilities	103,701
Due to other governments	3,474
Advances from grantors	21,406
Long-term obligations:	
Due within one year	106,922
Due beyond one year	4,521,318
TOTAL LIABILITIES	4,785,965
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for OPEB	163
Deferred inflows of resources for pensions	163,437
TOTAL DEFERRED INFLOWS OF RESOURCES	163,600
NET POSITION	
Net investment in capital assets	3,746,075
Restricted for capital projects	25,433
Restricted for debt service	127,571
Restricted for educational programs	205,771
Restricted for other purposes	5,419
Unrestricted	(1,105,447)
TOTAL NET POSITION	\$ 3,004,822

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

Black Butte Union Elementary School District
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position - Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 1,711,100	\$ 11,114	\$ 428,944	\$ (1,271,042)
Instruction-related services	284,141	-	2,888	(281,253)
Pupil services	537,905	-	147,225	(390,680)
Ancillary services	16,597	-	164	(16,433)
Community services	4,159	-	-	(4,159)
General administration	282,852	-	18,102	(264,750)
Plant services	300,297	-	62,603	(237,694)
Interest on long-term debt	66,106	-	-	(66,106)
Other outgo	-	-	164,402	164,402
Total Governmental Activities	\$ 3,203,157	\$ 11,114	\$ 824,328	(2,367,715)
GENERAL REVENUES				
Property taxes - levied for general purposes				1,459,763
Property taxes - levied for debt service				149,552
Federal and state aid not restricted to specific purposes				608,968
Unrestricted investment earnings				16,401
Interagency revenues				28,572
Miscellaneous				42,012
TOTAL GENERAL REVENUES AND TRANSFERS				2,305,268
Change in Net Position				(62,447)
Net Position - as Previously Reported				3,088,701
Cumulative effect of change in accounting principles				(21,432)
Net Position - as Restated				3,067,269
Net Position - End of Year				\$ 3,004,822

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

Black Butte Union Elementary School District

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018	General Fund	Child Development Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,249,416	\$ -	\$ 2,547	\$ 153,504	\$ 1,405,467
Accounts receivable	912	2,756	-	155	3,823
Due from other governments	66,810	17,647	-	19,461	103,918
Due from other funds	4,739	2,273	-	14,000	21,012
Inventories	-	-	-	7,845	7,845
TOTAL ASSETS	\$ 1,321,877	\$ 22,676	\$ 2,547	\$ 194,965	\$ 1,542,065
LIABILITIES AND FUND BALANCES					
Liabilities					
Overdraft in county treasury	\$ -	\$ 850	\$ -	\$ 28,294	\$ 29,144
Accounts payable and other current liabilities	75,914	420	-	403	76,737
Due to other governments	3,474	-	-	-	3,474
Due to other funds	16,273	-	2,547	-	18,820
Advances from grantors	-	21,406	-	-	21,406
Total Liabilities	95,661	22,676	2,547	28,697	149,581
Fund Balances					
Nonspendable	1,000	-	-	7,845	8,845
Restricted	205,771	-	-	158,423	364,194
Assigned	857,291	-	-	-	857,291
Unassigned	162,154	-	-	-	162,154
Total Fund Balances	1,226,216	-	-	166,268	1,392,484
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,321,877	\$ 22,676	\$ 2,547	\$ 194,965	\$ 1,542,065

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

Black Butte Union Elementary School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2018

Total Fund Balances - Governmental Funds	\$ 1,392,484
---	--------------

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

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

Capital assets at historical cost	\$ 10,593,147
Accumulated depreciation	(4,865,861)

Total Capital Assets - Net	5,727,286
-----------------------------------	-----------

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

(26,964)

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

General obligation bonds	1,943,611
Net pension liability	2,584,877
Total OPEB liability	23,417
Compensated absences	24,349
Capital leases	37,600
Early retirement incentives	14,386

Total Long-Term Liabilities	(4,628,240)
------------------------------------	-------------

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

Deferred outflows of resources relating to pensions	703,856
Deferred inflows of resources relating to pensions	(163,437)

Balance Forward	\$ 3,004,985
------------------------	--------------

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

Black Butte Union Elementary School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

(Continued)

June 30, 2018

Balance Brought Forward	\$ 3,004,985
 Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to OPEB are reported:	
Deferred inflows of resources relating to OPEB	(163)
Total Net Position - Governmental Activities	\$ 3,004,822

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

Black Butte Union Elementary School District

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

Year Ended June 30, 2018	General Fund	Child Development Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 1,459,763	\$ -	\$ -	\$ -	\$ 1,459,763
Local control funding formula sources	537,776	-	-	-	537,776
Other state revenue	391,790	83,038	-	11,846	486,674
Federal revenue	280,914	-	-	121,576	402,490
Other local revenue	106,831	4,149	5,569	192,811	309,360
Total Revenues	2,777,074	87,187	5,569	326,233	3,196,063
Expenditures					
Current:					
Instruction	1,442,791	73,460	-	-	1,516,251
Instruction-related services	249,440	-	-	-	249,440
Pupil services	348,232	-	-	154,726	502,958
Ancillary services	16,459	-	-	-	16,459
Community services	3,773	-	-	-	3,773
General administration	258,019	-	-	9,587	267,606
Plant services	270,709	16,000	-	-	286,709
Capital outlay	6,604	-	1,532,634	92,108	1,631,346
Debt service:					
Principal	31,246	-	-	80,000	111,246
Interest and other charges	3,390	-	-	65,513	68,903
Issuance costs and discounts	-	-	1,350	-	1,350
Total Expenditures	2,630,663	89,460	1,533,984	401,934	4,656,041
Excess (Deficiency) of					
Revenues Over Expenditures	146,411	(2,273)	(1,528,415)	(75,701)	(1,459,978)
Other Financing Sources (Uses)					
Interfund transfers in	-	2,273	79,003	14,000	95,276
Interfund transfers out	(95,276)	-	-	-	(95,276)
Total Other Financing Sources (Uses)	(95,276)	2,273	79,003	14,000	-
Net Change in Fund Balances	51,135	-	(1,449,412)	(61,701)	(1,459,978)
Fund Balances - Beginning of Year	1,175,081	-	1,449,412	227,969	2,852,462
Fund Balances - End of Year	\$ 1,226,216	\$ -	\$ -	\$ 166,268	\$ 1,392,484

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

Black Butte Union Elementary School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (1,459,978)
---	----------------

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 1,631,754
Depreciation expense	(232,594)

Net Capital Outlay	1,399,160
---------------------------	-----------

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

111,246

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

666

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

7,581

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

(135,850)

Balance Forward	\$ (77,175)
------------------------	-------------

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

Black Butte Union Elementary School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

(Continued)

Year Ended June 30, 2018

Balance Brought Forward	\$ (77,175)
Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	4,935
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time and structured legal settlements. This year, expenses incurred for retirement incentives were:	6,312
Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:	3,481
Change in Net Position of Governmental Activities	\$ (62,447)

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

Black Butte Union Elementary School District
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2018	Agency	
ASSETS		
Cash and investments	\$	16,976
Accounts receivable		21
TOTAL ASSETS	\$	16,997
LIABILITIES		
Accounts payable	\$	262
Due to other funds		2,192
Due to student groups		14,543
TOTAL LIABILITIES	\$	16,997

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

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates one elementary school and one junior high school in Shingletown, California.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Implementation of New Accounting Standards

Governmental Accounting Standards Board, Statement No. 75 The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 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. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Governmental Accounting Standards Board, Statement No. 85 The District adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses the timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

As a result of the adoption of GASB Statement No. 75 and 85, net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75 and 85:

Net Position - as Previously Reported	\$ 3,088,701
Cumulative Effect of Change in Accounting Principles	
Total OPEB liability	(21,432)
Net Position - as Restated	\$ 3,067,269

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

Fund Financial Statements Fund financial statements are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The funds of the District are described below.

Governmental Funds

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

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Child Development Fund is used to account separately for federal, state, and local revenues and the expenditure of those funds to operate child development programs (*California Education Code*, Section 8328).
2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).

Debt Service Funds Funds that are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt.

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).

Fiduciary Funds

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent.

1. Warrant/Pass-Through Fund is used to account for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.
2. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Sections 48930-48938).

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:

- General Fund
- Child Development Fund
- Building Fund

Nonmajor Governmental Funds:

- Cafeteria Special Revenue Fund
- Capital Facilities Fund
- Bond Interest and Redemption Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

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

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2018, the fair value of the County pool is 99.44% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2018, was \$270. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2018, was \$2,115.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2018. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2018. At June 30, 2018, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Inventories

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective-interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year, except for buildings and improvements for which a higher capitalization threshold of \$15,000 or more is used. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2001.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

School buildings	50
Portable classrooms	25
Site improvements	20
Equipment	5-15
Vehicles	8

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

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

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions, subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of 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 Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

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

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

Unassigned Fund Balance: Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 5% of the General Fund's expenditures and other financing uses.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Local Control Funding Formula Grant and Property Tax

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

Shasta County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively.

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

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Revenue – Nonexchange Transactions

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

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

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character:

Current (further classified by function)

Debt service

Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Pensions

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2018	Maturities	Fair Value
Deposits (1)		\$ 20,654
Investments That Are Not Securities (2)		
County treasurer's investment pool (net of overdraft)	11.6 months average	1,372,645
Total Cash and Investments		1,393,299
Less: Agency fund cash and investments		16,976
Total Cash and Investments Per Government-Wide Statement of Net Position (Net of Overdraft in County Treasury)		\$ 1,376,323

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That Are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the County investment pool is unrated.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- County treasurer's investment pool (net of overdraft) of \$1,372,645 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	General Fund	Child Development Fund	Other Governmental Funds
June 30, 2018			
Interest	\$ 767	\$ -	\$ -
Other	145	2,756	155
Total	\$ 912	\$ 2,756	\$ 155

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following:

	General Fund	Child Development Fund	Other Governmental Funds
June 30, 2018			
Due From			
Federal government	\$ -	\$ -	\$ 18,119
State government	21,413	17,647	1,342
Local governments	45,397	-	-
Total	\$ 66,810	\$ 17,647	\$ 19,461

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. INTERFUND TRANSFERS AND BALANCES

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds		
General	Building	\$	2,547
General	Warrant/Pass-Through		2,192
Cafeteria Special Revenue	General		14,000
Child Development	General		2,273
Total		\$	21,012

The specific purposes of the balances due to/from other funds are as follows:

General Fund interfund receivable from the Building Fund to revise the General Fund contribution to the Building Fund modernization project;

General Fund interfund receivable from the Warrant/Pass-Through Fund for cost reimbursement of District-placed students in preschool program;

Cafeteria Special Revenue Fund interfund receivable from the General Fund for contributions from the General Fund; and

Child Development Fund interfund receivable from the General Fund for cost reimbursement of District-placed students in preschool program.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

Interfund Transfer Out	Interfund Transfer In		
General	Cafeteria Special Revenue	\$	14,000
General	Child Development		2,273
General	Building		79,003
Total		\$	95,276

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The specific purpose of the interfund transfer that do not occur on a routine basis is as follows:

Interfund transfer to from the General Fund for contribution to the Building Fund modernization project.

No transfers were inconsistent with the activities of the funds making the transfer.

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2018	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 380,330	\$ -	\$ -	\$ 380,330
Construction in progress	445,049	-	445,049	-
Total Nondepreciated Capital Assets	825,379	-	445,049	380,330
Depreciated Capital Assets				
Buildings	6,543,280	-	-	6,543,280
Site improvements	869,814	2,076,803	-	2,946,617
Equipment and vehicles	722,920	-	-	722,920
Total Depreciated Capital Assets	8,136,014	2,076,803	-	10,212,817
Totals at Historical Cost	8,961,393	2,076,803	445,049	10,593,147
Less: Accumulated Depreciation				
Buildings	3,513,463	125,029	-	3,638,492
Site improvements	480,480	94,407	-	574,887
Equipment and vehicles	639,324	13,158	-	652,482
Total Accumulated Depreciation	4,633,267	232,594	-	4,865,861
Total Depreciated Capital Assets - Net	3,502,747	1,844,209	-	5,346,956
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 4,328,126	\$ 1,844,209	\$ 445,049	\$ 5,727,286

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2018

Governmental Activities	
Instruction	\$ 177,184
Instruction-related services	26,921
Pupil services	14,491
General administration	5,810
Plant services	8,188
Total Depreciation Expense - Governmental Activities	\$ 232,594

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	General Fund	Child Development Fund	Other Governmental Funds
June 30, 2018			
Vendors	\$ 72,382	\$ 420	\$ 230
Salaries and benefits	2,453	-	69
Other	1,079	-	104
Total	\$ 75,914	\$ 420	\$ 403

8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments consisted of the following:

	General Fund
June 30, 2018	
Due To	
Local governments	\$ 3,474

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. BONDED DEBT

In 2016, the District received authorization through Measure B to issue \$4,000,000 of bonds at an election held on June 7, 2016. The bonds are general obligation bonds of the District, and the County is obligated to annually levy ad valorem taxes for the payment of interest on, and the principal of, the bonds. Bond proceeds will be used to upgrade, renovate, and modernize outdated classrooms, restrooms, and school facilities; improve student safety and security; repair and replace leaky roofs; renovate electrical and plumbing systems; and upgrade multipurpose rooms and gyms; and repair playground surfaces.

On November 9, 2016, the District issued \$2,000,000 of General Obligation Bonds, Series 2016A bonds. The interest rates range from 2.00% to 4.00%. The final maturity date is August 1, 2046.

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Redeemed Current Year	Outstanding June 30, 2018
2016	2.0%-4.0%	2046	\$ 2,000,000	\$ 2,000,000	\$ 80,000	\$ 1,920,000

The amount of interest cost incurred during the year ended June 30, 2018, was \$64,846, all of which was charged to expenses.

The annual requirements to amortize the general obligation bond payable are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 60,000	\$ 64,112	\$ 124,112
2020	70,000	62,813	132,813
2021	-	62,112	62,112
2022	5,000	62,063	67,063
2023	5,000	61,963	66,963
2024-2028	80,000	306,162	386,162
2029-2033	225,000	278,063	503,063
2034-2038	370,000	219,562	589,562
2039-2043	525,000	139,506	664,506
2044-2047	580,000	39,325	619,325
Total	\$ 1,920,000	\$ 1,295,681	\$ 3,215,681

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10. CAPITAL LEASE

The District leases a solar power system under an agreement which provides for the title to pass upon expiration of the lease period. The cost of the solar power system was \$343,198 and is included in machinery and equipment on the statement of net position as a depreciated capital asset at June 30, 2018. Accumulated depreciation of the leased equipment at June 30, 2018, was \$85,800. Depreciation of the asset under capital lease is included in depreciation expense and amounted to \$17,160 for the year ended June 30, 2018. The amount of interest cost incurred during the year ended June 30, 2018, was \$3,390, all of which was charged to expenses. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2019	\$ 38,980
Less: Amount representing interest	1,380
Present Value of Net Minimum Lease Payments	\$ 37,600

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

Black Butte Union Elementary School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

Year Ended June 30, 2018	Beginning Balance - as Previously Reported	Cumulative Effect of Change in Accounting Principles	Beginning Balance - as Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities							
Compensated absences	\$ 31,930	\$ -	\$ 31,930	\$ -	\$ 7,581	\$ 24,349	\$ -
General obligation bonds	2,000,000	-	2,000,000	-	80,000	1,920,000	60,000
Bond issuance premiums	27,092	-	27,092	-	3,481	23,611	3,010
Capital lease	68,846	-	68,846	-	31,246	37,600	37,600
Early retirement incentives	20,698	-	20,698	-	6,312	14,386	6,312
Total OPEB liability	7,083	21,432	28,515	-	5,098	23,417	-
Net pension liability	2,269,372	-	2,269,372	315,505	-	2,584,877	-
Total	\$ 4,425,021	\$ 21,432	\$ 4,446,453	\$ 315,505	\$ 133,718	\$ 4,628,240	\$ 106,922

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2018	General Fund	Other Governmental Funds
Nonspendable		
Reserved for:		
Revolving cash	\$ 1,000	\$ -
Inventories	-	7,845
Total Nonspendable	\$ 1,000	\$ 7,845
Restricted		
Restricted for:		
Restricted for debt service	\$ -	\$ 153,004
Federal and state categoricals	205,771	5,419
Total Restricted	\$ 205,771	\$ 158,423
Assigned		
Assigned for:		
MAA current education programs	\$ 251,875	\$ -
Current education programs	173,347	-
Bus replacement	125,000	-
Junior high track project	10,334	-
One-time funds	28,333	-
Textbook adoption	34,098	-
Textbook/technology	125,937	-
Other assignments	25,328	-
Deferred maintenance	83,039	-
Total Assigned	\$ 857,291	\$ -
Unassigned		
Designated for economic uncertainties	\$ 162,154	\$ -

13. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Schools Insurance Group (NCSIG), California's Valued Trust (CVT), Schools Excess Liability Fund (SELF), and Shasta-Trinity Schools Insurance Group (STSIG). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The JPAs arrange for and provide property, liability, health care, workers' compensation, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

14. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

15. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

16. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2018	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 1,849,600	\$ 483,295	\$ 109,825	\$ 208,464
CalPERS School Employer Pool	735,277	220,561	53,612	123,806
Total	\$ 2,584,877	\$ 703,856	\$ 163,437	\$ 332,270

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **CalSTRS 2% at 62** CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 9.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal year ended June 30, 2018, were \$133,804.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 net pension 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:

June 30, 2018

District's proportionate share of the net pension liability	\$	1,849,600
State's proportionate share of the net pension liability associated with the District		687,496
Total	\$	2,537,096

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2018, the District's proportion was 0.002%.

For the year ended June 30, 2018, the District recognized pension expense of \$19,760 and revenue of \$19,760 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
Difference between expected and actual experience	\$ 6,840	\$ 32,267
Net difference between projected and actual earnings on pension plan investments	-	49,265
Change in assumptions	342,651	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	28,293
District contributions subsequent to the measurement date	133,804	-
Total	\$ 483,295	\$ 109,825

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The \$133,804 reported as 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 year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	\$ 4,999
2020	76,939
2021	50,424
2022	2,190
2023	49,705
Thereafter	55,409
Total	\$ 239,666

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	4.50%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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%
Total	100%	

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
June 30, 2018			
District's proportionate share of the net pension liability	\$ 2,715,800	\$ 1,849,600	\$ 1,146,620

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report (CAFR)*.

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 6.50% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2017-18 fiscal year was 15.531%. The District's contributions to CalPERS for the fiscal year ended June 30, 2018, were \$62,616.

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 net pension liability of \$735,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.00308%.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$123,806. 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
Difference between expected and actual experience	\$ 26,342	\$ -
Net difference between projected and actual earnings on pension plan investments	24,204	-
Change in assumptions	107,399	8,657
Changes in proportion and differences between District contributions and proportionate share of contributions	-	44,955
District contributions subsequent to the measurement date	62,616	-
Total	\$ 220,561	\$ 53,612

The \$62,616 reported as 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 year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2019	\$ 22,602
2020	56,862
2021	39,105
2022	(14,236)
Total	\$ 104,333

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. 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.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Global equity	47%	4.90%	5.38%
Fixed income	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the CalPERS Board in 2013 were used. Projections of expected benefit payments and contributions were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2018	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 1,081,829	\$ 735,277	\$ 447,784

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

17. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2017-18, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit health care plan administered by the District. The District provides postemployment health care benefits to all certificated employees who retire from the District on or after attaining age 60 with at least ten years of continuous service in the District. The District contributes \$100 per month toward health care insurance for certificated employees who meet the requirements, until retiree reaches age 65.

Employees Covered

Employees covered by the benefit terms of the plan consisted of:

June 30, 2018	
Inactive Plan members or beneficiaries currently receiving benefit payments	2
Active Plan members	13
Total	15

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contributions

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's board of trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018, using an annual actuarial valuation as of July 1, 2017, rolled forward to June 30, 2018, using standard update procedures. The June 30, 2018, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Actuarial cost method	Entry age, level percent of pay
Actuarial assumptions:	
Salary increases	3.00%
Discount rate	3.90% ⁽¹⁾
Consumer price inflation	2.25%
Healthcare cost trend rate - pre-65	8.00% ⁽²⁾

(1) Net of investment expenses, but gross of administrative expenses.

(2) For fiscal year 2017-18, decreasing 1.00% annually to an ultimate rate of 5.00% in fiscal year 2020-21.

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% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.90%. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

Year Ended June 30, 2018

Total OPEB Liability	
Service cost	\$ 432
Interest	929
Changes of assumptions	(191)
Benefit payments - including refunds of employee contributions	(6,268)
Net Change in Total OPEB Liability	(5,098)
Total OPEB Liability - Beginning of Year	28,515
Total OPEB Liability - End of Year	\$ 23,417
Covered-employee payroll	\$ 1,466,318
District's net OPEB liability as a percentage of covered-employee payroll	1.60%

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.90%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.90%) or one percentage point higher (4.90%) than the current rate:

June 30, 2018	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB liability	\$ 24,060	\$ 23,417	\$ 22,797

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability calculated using the healthcare cost trend rate of 8.00%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

June 30, 2018	1% Decrease (7.00%)	Health Cost Trend Rates (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 23,135	\$ 23,417	\$ 23,702

Black Butte Union Elementary School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,333. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 163

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

Year Ending June 30		
2019	\$	28
2020		28
2021		28
2022		28
2023		28
Thereafter		23
Total	\$	163

19. SUBSEQUENT EVENT

On October 24, 2018, the District entered into a contract totaling \$176,120 to retrofit interior and exterior lightings.

20. FUTURE GASB IMPLEMENTATION

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings, and Direct Placements*. This statement improves the information disclosed in the 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 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. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2018, will have on the District's financial statements, if any.

Required Supplementary Information

Black Butte Union Elementary School District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2018	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 1,402,168	\$ 1,481,562	\$ 1,459,763	\$ (21,799)
Local control funding formula sources	589,942	528,528	537,776	9,248
Other state revenue	111,605	352,918	391,790	38,872
Federal revenue	240,316	276,197	280,914	4,717
Other local revenue	105,196	135,892	106,831	(29,061)
Total Revenues	2,449,227	2,775,097	2,777,074	1,977
Expenditures				
Certificated salaries	909,093	950,041	949,746	295
Classified salaries	424,225	415,593	415,315	278
Employee benefits	529,160	548,151	544,736	3,415
Books and supplies	118,724	124,319	123,112	1,207
Services and other operating	482,525	558,971	556,514	2,457
Capital outlay	-	6,604	6,604	-
Debt service:				
Principal	31,246	31,246	31,246	-
Interest and other charges	3,390	3,390	3,390	-
Total Expenditures	2,498,363	2,638,315	2,630,663	7,652
Excess (Deficiency) of Revenues Over Expenditures	(49,136)	136,782	146,411	9,629
Other Financing Sources (Uses)				
Interfund transfers out	(13,000)	(95,483)	(95,276)	(207)
Net Change in Fund Balances	(62,136)	41,299	51,135	9,836
Fund Balances - Beginning of Year	1,175,081	1,175,081	1,175,081	-
Fund Balances - End of Year	\$ 1,112,945	\$ 1,216,380	\$ 1,226,216	\$ 9,836

See the accompanying notes to this budgetary comparison schedule.

Black Butte Union Elementary School District
BUDGETARY COMPARISON SCHEDULE – CHILD DEVELOPMENT FUND

Year Ended June 30, 2018	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other state revenue	\$ 78,896	\$ 83,043	\$ 83,038	\$ (5)
Other local revenue	1,500	4,148	4,149	1
Total Revenues	80,396	87,191	87,187	(4)
Expenditures				
Certificated salaries	375	-	-	-
Classified salaries	45,220	53,004	53,003	1
Employee benefits	18,910	18,313	18,310	3
Books and supplies	850	1,905	1,905	-
Services and other operating	15,041	16,242	16,242	-
Total Expenditures	80,396	89,464	89,460	4
Excess (Deficiency) of Revenues Over Expenditures	-	(2,273)	(2,273)	-
Other Financing Sources (Uses)				
Interfund transfers in	-	2,273	2,273	-
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -

See the accompanying notes to this budgetary comparison schedule.

Black Butte Union Elementary School District
NOTES TO THE BUDGETARY COMPARISON SCHEDULES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts budgets for the General Fund and each major special revenue fund of the District. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue fund present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets, as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excesses of budgetary expenditures for the year ended June 30, 2018.

Black Butte Union Elementary School District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

Total OPEB Liability		
Service cost	\$	432
Interest		929
Changes of assumptions		(191)
Benefit payments - including refunds of employee contributions		(6,268)
Net Change In Total OPEB Liability		(5,098)
Total OPEB Liability - Beginning of Year		28,515
Total OPEB Liability - End of Year	\$	23,417
Covered-employee payroll	\$	1,466,318
District's total OPEB liability as a percentage of covered-employee payroll		1.60%

See the accompanying notes to the required supplementary information.

Black Butte Union Elementary School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.002%		0.002%		0.002%		0.002%	
District's proportionate share of the net pension liability (asset)	\$	1,849,600	\$	1,617,620	\$	1,346,480	\$	1,168,740
State's proportionate share of the net pension liability (asset) associated with the District		687,496		586,873		465,788		440,031
Total	\$	2,537,096	\$	2,204,493	\$	1,812,268	\$	1,608,771
District's covered-employee payroll	\$	902,154	\$	849,646	\$	813,840	\$	763,114
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		205.02%		190.39%		165.45%		153.15%
Plan fiduciary net position as a percentage of the total pension liability		69.00%		70.00%		74.00%		77.00%

See the accompanying notes to the required supplementary information.

Black Butte Union Elementary School District**SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	133,804	\$	113,491	\$	91,167	\$	72,269
Contributions in relation to the contractually required contribution		(133,804)		(113,491)		(91,167)		(72,269)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	902,154	\$	849,646	\$	813,840	\$	763,114
Contributions as a percentage of covered-employee payroll		14.83%		13.36%		11.20%		9.47%

See the accompanying notes to the required supplementary information.

Black Butte Union Elementary School District**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.00308%		0.00330%		0.00340%		0.00330%	
District's proportionate share of the net pension liability (asset)	\$	735,277	\$	651,752	\$	501,163	\$	374,630
District's covered-employee payroll	\$	392,231	\$	401,832	\$	377,614	\$	354,226
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	187.46%		162.20%		132.72%		105.76%	
Plan fiduciary net position as a percentage of the total pension liability	71.90%		73.90%		79.40%		83.50%	

See the accompanying notes to the required supplementary information.

Black Butte Union Elementary School DistrictSCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES'
RETIREMENT SYSTEM

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	62,616	\$	54,473	\$	47,605	\$	44,449
Contributions in relation to the contractually required contribution		(62,616)		(54,473)		(47,605)		(44,449)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	392,231	\$	401,832	\$	377,614	\$	354,226
Contributions as a percentage of covered-employee payroll		15.96%		13.56%		12.61%		12.55%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2018.

Changes in Assumptions

The discount rate increased from 3.60% as of July 1, 2017, to 3.90% as of June 30, 2018, and the benefit payments were less than expected.

2. CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2017.

2. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

During fiscal year 2016-17, California State Teachers' Retirement System (CalSTRS) completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability (NPL) of the State Teachers' Retirement Plan changed, including the price inflation, wage growth, discount rate, and the mortality tables used in the actuarial valuation of the NPL. The change in assumptions were as follows:

June 30	2017	2016
Assumption		
Consumer price index	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

Black Butte Union Elementary School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(Continued)

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

California Public Employees' Retirement System

During fiscal year 2016-17, the financial reporting discount rate for the Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF B) was lowered from 7.65% to 7.15%.

OTHER SUPPLEMENTARY INFORMATION SECTION

Black Butte Union Elementary School District
LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE
June 30, 2018

The Black Butte Union Elementary School District (the District) is located in Shasta County and was established in 1962. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school and one junior high school.

GOVERNING BOARD

Name	Office	Term Expires
Keith Koeppen	President	2020
Jackie Ferguson	Clerk	2018
Chris McInnes	Member	2020
Darin Tipton	Member	2018
Holly McClure	Member	2018

ADMINISTRATION

Don Aust
Superintendent/Principal

Jim Donahue
Director of Administration

Black Butte Union Elementary School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2018

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying note to the other supplementary information.

Black Butte Union Elementary School District

SCHEDULE OF AVERAGE DAILY ATTENDANCE

June 30, 2018

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Regular ADA*				
Transitional kindergarten/ kindergarten through grade 3	92	92	92	92
Grades 4 through 6	55	56	55	56
Grades 7 through 8	45	46	45	46
ADA Totals	192	194	192	194

** Includes opportunity classes, home and hospital, and special day classes.*

See the accompanying note to the other supplementary information.

Black Butte Union Elementary School District

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2018

	Minutes Requirement	2017-18 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	54,505	180	N/A	Complied
Grade 1	50,400	56,920	180	N/A	Complied
Grade 2	50,400	56,920	180	N/A	Complied
Grade 3	50,400	56,920	180	N/A	Complied
Grade 4	54,000	56,920	180	N/A	Complied
Grade 5	54,000	56,920	180	N/A	Complied
Grade 6	54,000	58,404	180	N/A	Complied
Grade 7	54,000	58,404	180	N/A	Complied
Grade 8	54,000	58,404	180	N/A	Complied

See the accompanying note to the other supplementary information.

Black Butte Union Elementary School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2019	2018	2017	2016
General Fund				
Revenues and other financial sources	\$ 2,567,674	\$ 2,777,074	\$ 2,569,892	\$ 2,496,767
Expenditures	2,657,234	2,630,663	2,485,155	2,482,693
Other uses and transfers out	8,500	95,276	28,153	6,890
Total Outgo	2,665,734	2,725,939	2,513,308	2,489,583
Change in Fund Balance	(98,060)	51,135	56,584	7,184
Ending Fund Balance	\$ 1,128,156	\$ 1,226,216	\$ 1,175,081	\$ 1,118,497
Available reserves	\$ 159,575	\$ 162,154	\$ 151,509	\$ 149,613
Designated for economic uncertainties	\$ 159,575	\$ 162,154	\$ 151,509	\$ 149,613
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	6%	6%	6%	6%
Total long-term debt	\$ 4,521,318	\$ 4,628,240	\$ 4,446,453 *	\$ 2,012,634
Average daily attendance at P-2	192	192	192	186

* As restated for implementation of GASB Statement No. 75, as amended by GASB Statement No. 85.

The General Fund balance has increased by \$107,719 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$98,060 (8.0%). For a district this size, the state recommends available reserves of at least 5% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term debt has increased by \$2,615,606 over the past two years.

Average daily attendance has increased by six over the past two years. No additional growth in ADA is anticipated during fiscal year 2018-19.

See the accompanying note to the other supplementary information.

Black Butte Union Elementary School District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2018

The fund balances for all funds, as reported in the annual financial and budget report, equal the corresponding balances in the audited financial statements.

See the accompanying note to the other supplementary information.

PURPOSE OF SCHEDULES

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet or exceed its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46208.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

OTHER REPORTS SECTION

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

To the Board of Trustees
Black Butte Union Elementary School District
Shingletown, California

We have audited, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Black Butte 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; and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

Compliance and Other Matters

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

Purpose of This Report

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

KCoe Jam, LLP

November 29, 2018
Redding, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Black Butte Union Elementary School District
Shingletown, California

Compliance

We have audited the Black Butte Union Elementary School District's (the District) compliance with the types of state compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2018. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2018	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No
Continuation education	No
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Apprenticeship: related and supplemental instruction	No
Educator effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before school education and safety program:	
After school	No
Before school	No
General requirements	No
Proper expenditure of education protection account funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Local control and accountability plan	Yes
Independent study-course based	No
Charter schools:	
Attendance	No
Mode of instruction	No
Nonclassroom-based instruction/independent study for charter schools	No
Determination of funding for nonclassroom-based instruction	No
Annual instructional minutes - classroom based	No
Charter school facility grant program	No

Testing was not performed for independent study because the ADA for this program was below the level which requires testing.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Since the District did not participate in the following programs during 2017-18, all steps related to them were not performed:

- Continuation education
- Early retirement incentive
- Apprenticeship: related and supplemental instruction
- After/Before school education and safety program
- Independent study-course based

Since the District did not sponsor any charter schools during 2017-18, all steps related to the following were not performed:

- Attendance
- Mode of instruction
- Nonclassroom-based instruction/independent study for charter schools
- Determination of funding for nonclassroom-based instruction
- Annual instructional minutes - classroom based
- Charter school facility grant program

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

KCoe Jam, LLP

November 29, 2018
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

Black Butte Union Elementary School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2018

SECTION I

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Is any noncompliance material to financial statements noted?	No

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

Black Butte Union Elementary School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018
(Continued)

SECTION II
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

None.

Black Butte Union Elementary School District

CORRECTIVE ACTION PLAN

June 30, 2018

Not applicable: there are no current-year findings related to federal awards.

Black Butte Union Elementary School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2018

INTERNAL CONTROL (Student Body)

30000 (2017-001)

Significant Deficiency

Condition During our testing of student body accounts, we were unable to determine timeliness of one out of ten deposits.

Criteria All deposits should be made on a timely basis. Sufficient records should be kept to document timely deposits of student body funds.

Effect Without strengthening internal controls over cash receipts, student body assets may not be properly safeguarded and expended for valid student body activities.

Cause Cash was found in the desk drawer after the departure of an employee. It is not known how long it had been there.

Recommendation Procedures should be implemented to strengthen internal controls over student body assets and and accounting records.

Current Status Fully implemented.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT SHASTA COUNTY

The Bonds are not a debt of Shasta County (the “County”). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.

General Information

The County. The County is located in the northern portion of the State of California. 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)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
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 4.1% in May 2019, down from a revised 4.9% in April 2019, and below the year-ago estimate of 4.3%. This compares with an unadjusted unemployment rate of 3.5% for California and 3.4% 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%
<u>Wage and Salary Employment:</u> ⁽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.

Largest 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 July 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*.

Commercial Activity

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.*

Construction Trends

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

COUNTY OF SHASTA Total Building Permit Valuations Calendar Years 2013 through 2017 (valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
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	<u>9,066.5</u>	<u>10,297.0</u>	<u>14,672.9</u>	<u>12,286.0</u>	<u>11,302.1</u>
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	<u>17,835.7</u>	<u>16,915.8</u>	<u>12,948.4</u>	<u>15,666.2</u>	<u>13,063.8</u>
Total Nonresidential	\$50,292.2	\$46,515.7	\$46,838.3	\$52,393.3	\$52,872.5
<u>New Dwelling Units</u>					
Single Family	204	235	309	261	377
Multiple Family	<u>0</u>	<u>5</u>	<u>59</u>	<u>54</u>	<u>6</u>
TOTAL	204	240	368	315	383

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the median household effective buying income for the the County, the State and the United States for the period 2015 through 2019.

SHASTA COUNTY, STATE OF CALIFORNIA AND UNITED STATES Median Household Effective Buying Income 2015 through 2019

	2015	2016	2017	2018	2019
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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

September 18, 2019

Board of Trustees
Black Butte Union Elementary School District
7946 Ponderosa Way
Shingletown, California 96088

OPINION: \$2,000,000 Black Butte Union Elementary School District (Shasta County, California) General Obligation Bonds, Election of 2016, Series 2019B

Members of the Board of Trustees:

We have acted as bond counsel to the Black Butte Union Elementary School District (the "District") in connection with the issuance by the District of \$2,000,000 principal amount of Black Butte Union Elementary School District (Shasta County, California) General Obligation Bonds, Election of 2016, Series 2019B, 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 August 13, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.
3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of 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.

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

\$2,000,000
BLACK BUTTE UNION ELEMENTARY SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds
Election of 2016, Series 2019B
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Black Butte 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 August 13, 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 Piper Jaffray & Co., 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.

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

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

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

- (i) Assessed value of taxable property in the jurisdiction of the District for the most recently completed fiscal year;
- (ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District for the most recently completed fiscal year;
- (iii) Property tax collection delinquencies for the District for the most recently completed fiscal year, or if not available, for the previous fiscal year, but only if available from the County of Shasta (the "County") at the time of filing the Annual Report and only if the District's general obligation bond levies are not included in 'the Teeter Plan (as defined in the Official Statement);
- (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 this 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. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such

event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: September 18, 2019

**BLACK BUTTE UNION ELEMENTARY
SCHOOL DISTRICT**

By: _____
Name: _____
Title: _____

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

**ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.**

By: _____
Name: _____
Title: _____

[THIS PAGE INTENTIONALLY LEFT BLANK]

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

**SHASTA COUNTY INVESTMENT POLICY
AND INVESTMENT REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Investment Policy Statement



**of the
Shasta County Treasurer**

2013-14

INVESTMENT POLICY STATEMENT



TABLE OF CONTENTS

APPLICATION AND SCOPE	1
TERM	1
ELIGIBILITY AND CONTINUING EDUCATION	1
PRUDENT INVESTOR	2
OVERVIEW	2
AUTHORIZED INVESTMENT INSTRUMENTS	3
SELECTION CRITERIA	10
Brokers/Dealers and Depositories.....	10
Representatives of Qualified Institutions.....	11
INVESTMENTS.....	11
Prohibited Investment Types and Restrictions Applicable to All Investments	11
Maturity Scheduling.....	12
CREDIT ASSESSMENT.....	12
DIVERSIFICATION	12
YIELD.....	13
SAFEKEEPING.....	13
CALCULATING AND APPORTIONING THE COSTS.....	13
CRITERIA FOR CONSIDERING REQUESTS TO WITHDRAW FOR INVESTMENT PURPOSES	13
TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS	14
LIMITS ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES.....	14
REPORTING	15
GLOSSARY	16
DISASTER/BUSINESS CONTINUITY PLAN	21

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 bank 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 than 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

SHASTA COUNTY POOLED INVESTMENT

June 28, 2019

06/28/19

PURCHASE DATE	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	UNREALIZED GAIN/LOSS
	Local Agency Investment Fund (max 65,000)	25,000,000.00	25,000,000.00	4.58%				07/01/19		not rated	2.57	2.57	LAIF	3	75,000,000.00	25,174,666.01	N/A
	Repo Agreement (10% max 20% limit)	54,500,000.00	54,500,000.00	9.98%				07/01/19			2.18	2.18	UBS	3	163,500,000.00	54,500,000.00	N/A
	LIR Treasury Fund - Mutual Fund (5.00%max)			0.00%									UBS		0.00		N/A
****	Total Inactive Public Deposits (7.5% limit)	0.00	0.00	0.00%													0.00
10/11/18	US Treasury Note	5,000,000.00	4,883,800.00		(116,200.00)		4,883,800.00	09/12/19	912796FA9	NA/NA	2.49	2.57	UBS	76	371,168,800.00	4,979,100.00	95,300.00
01/22/18	US Treasury Note	5,000,000.00	4,923,046.88		(76,953.12)		4,923,046.88	01/31/20	912828H52	NA/NA	1.25	2.03	Union Banc	217	1,068,301,172.96	4,975,400.00	52,353.12
12/07/18	US Treasury Note	5,000,000.00	4,921,679.69		(78,320.31)		4,921,679.69	02/15/20	912828W22	AA+/NA	1.38	2.72	UBS	232	1,141,829,688.00	4,978,500.00	56,820.31
12/12/18	US Treasury Note	5,000,000.00	4,919,484.90		(80,515.10)		4,919,484.90	02/29/20	912828J50	AA+/NA	1.38	2.73	UBS	246	1,210,193,285.40	4,977,750.00	58,265.10
01/03/19	US Treasury Note	5,000,000.00	4,981,700.00		(18,300.00)		4,981,700.00	03/31/20	9128284C1	NA/NA	2.25	2.55	UBS	277	1,379,930,900.00	5,008,400.00	26,700.00
12/18/18	US Treasury Note	5,000,000.00	4,920,950.00		(79,050.00)		4,920,950.00	05/15/20	912828X96	NA/NA	1.50	2.65	UBS	322	1,584,545,900.00	4,977,950.00	57,000.00
04/15/19	US Treasury Note	5,000,000.00	4,950,000.00		(50,000.00)		4,950,000.00	05/31/20	912828XE5	NA/NA	1.50	2.40	UBS	338	1,673,100,000.00	4,976,950.00	26,950.00
11/28/18	US Treasury Note	5,000,000.00	4,896,250.00		(103,750.00)		4,896,250.00	07/15/20	912828J8	NA/NA	1.50	2.81	UBS	383	1,875,263,750.00	4,976,950.00	80,700.00
03/07/19	US Treasury Note	5,000,000.00	4,931,487.40		(72,656.25)		4,931,487.40	08/15/20	912828Q2	NA/NA	1.50	2.53	Wedbush	414	2,041,635,783.61	4,976,950.00	45,462.60
03/29/19	US Treasury Note	5,000,000.00	4,998,850.79		(13,476.56)		4,998,850.79	08/15/21	912828RC6	NA/Aaa	2.13	2.24	Wedbush	779	3,894,104,765.41	5,038,100.00	39,249.21
****	Total Treasury Bill (50% limit)	50,000,000.00	49,327,249.66	9.04%			12,327.35					2.52				49,866,050.00	538,800.34
****	Total Negotiable Cert of Deposit (20% limit)	0.00	0.00	0.00%													0.00
10/20/16	JP Morgan Medium Term Note - Callable	5,000,000.00	5,000,000.00			0.00	5,000,000.00	09/23/19	48215LRG9	A+/Aa3	1.65	1.54	UBS	87	435,000,000.00	4,990,550.00	(9,450.00)
04/17/17	Toyota Motor 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	294	1,470,000,000.00	4,990,400.00	(9,600.00)
12/13/18	Apple Inc Medium Term Note-Callable	5,000,000.00	4,942,400.00		(57,600.00)		4,942,400.00	05/06/20	037833BD1	AA+/Aa1	2.00	2.85	Union Banc	313	1,546,971,200.00	4,994,050.00	51,650.00
01/04/19	JP Morgan Chase Med Term Note-Callable	5,000,000.00	4,977,150.00		(22,850.00)		4,977,150.00	06/23/20	46625HLW8	A-/A2	2.75	3.07	UBS	361	1,796,751,150.00	5,019,800.00	42,650.00
03/26/19	Toyota Motor Credit Medium Term Note	5,000,000.00	5,086,641.67			53,600.00	5,086,641.67	01/08/21	89236TFO3	Aa3/Aa-	3.05	2.43	UBS	560	2,848,519,335.20	5,068,750.00	(17,891.67)
04/03/19	Apple Inc Medium Term Note-Callable	5,000,000.00	4,911,076.39		(101,625.00)		4,911,076.39	08/04/21	037833CC2	Aa3/Aa-	1.55	2.45	Wedbush	768	3,771,706,667.52	4,951,600.00	40,523.61
08/02/18	Bank of NY Med Term Note-Callable	5,000,000.00	5,000,000.00			0.00	5,000,000.00	09/23/21	06406HB4	A/A1	3.55	3.18	UBS	818	4,090,000,000.00	5,137,000.00	137,000.00
****	Total Medium Term Notes (20% limit/ 3% ea)	35,000,000.00	34,917,268.06	6.40%								2.47				35,152,150.00	234,881.94
10/04/18	Toyota Motor 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	3	14,709,750.00	5,000,000.00	96,750.00
11/07/18	ING US Funding 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	7	34,360,666.69	4,998,700.00	90,033.33
10/30/18	JP Morgan 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	28	136,966,277.84	4,991,800.00	100,147.22
11/13/18	MUFG Bank 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	42	205,731,866.76	4,987,250.00	88,872.22
11/27/18	ING US Funding 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	56	274,141,777.84	4,982,850.00	87,461.11
01/09/19	Credit Suisse 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	56	275,148,533.52	4,982,850.00	69,483.33
12/04/18	JP Morgan CP	5,000,000.00	4,889,784.72		(110,215.28)		4,889,784.72	08/30/19	4664QVW8	A-1/P-1	2.95	3.02	UBS	63	308,056,437.36	4,980,600.00	90,815.28
12/07/18	Natrxny CP	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	67	327,663,500.00	4,979,750.00	89,250.00
12/14/18	Credit Suisse 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	70	342,603,722.30	4,978,800.00	84,461.11
03/15/19	JP Morgan CP	5,000,000.00	4,925,688.89		(74,311.11)		4,925,688.89	10/10/19	4664OQX44	A-1/P-1	2.56	2.60	UBS	104	512,271,644.56	4,968,850.00	43,161.11
03/06/19	Natrxny CP	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	129	633,680,250.00	4,961,850.00	49,600.00
04/04/19	Toyota Motor Credit Corp. CP	5,000,000.00	4,907,291.67		(92,708.33)		4,907,291.67	12/27/19	89233HZT4	A-1+/P-1	2.50	2.57	UBS	182	893,127,083.94	4,946,800.00	39,508.33
04/09/19	MUFG Bank CP	5,000,000.00	4,904,729.17		(95,270.83)		4,904,729.17	01/03/20	62479LA39	A-1/P-1	2.55	2.60	UBS	189	926,993,813.13	4,945,500.00	40,770.83
****	Total Comm Paper (20% limit)	65,000,000.00	63,735,286.13	11.68%								2.78				64,705,600.00	970,313.87
01/02/18	Federal Farm Credit Bond	5,000,000.00	4,975,250.00		(24,750.00)		4,975,250.00	11/15/19	3133EHS87	AA+/Aaa	1.65	1.92	UBS	140	696,535,000.00	4,993,700.00	18,450.00
03/02/16	Federal Farm 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	248	1,240,000,000.00	4,980,050.00	(19,950.00)
10/26/16	Federal Farm 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	283	1,413,585,000.00	4,972,050.00	(22,950.00)
01/03/19	Federal Farm Credit Bank	5,000,000.00	4,939,200.00		(60,800.00)		4,939,200.00	06/17/20	3133EEPX2	AA+/Aaa	1.68	2.54	Union Banc	355	1,753,416,000.00	4,980,350.00	41,150.00
08/03/16	Federal Farm 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	402	2,010,000,000.00	4,973,700.00	(26,300.00)
10/23/18	Federal Farm 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	483	2,415,000,000.00	5,016,000.00	16,000.00
11/03/16	Federal Farm 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	493	2,465,000,000.00	4,949,800.00	(50,200.00)
02/27/17	Federal Farm Credit Bank (Callable)	5,000,000.00	4,998,500.00		(1,500.00)		4,998,500.00	11/16/20	3133EGT9	AA+/Aaa	1.87	1.87	UBS	507	2,534,239,500.00	5,000,000.00	1,500.00
12/14/16	Federal Farm 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	535	2,675,000,000.00	4,999,550.00	(450.00)
01/09/18	Federal Farm Credit Bank	5,000,000.00	4,994,350.00		(5,650.00)		4,994,350.00	01/04/21	3133EH5G4	AA+/Aaa	2.07	2.11	Union Banc	556	2,776,858,600.00	5,016,150.00	21,800.00
04/12/19	Federal Farm Credit Bank (Callable)	5,000,000.00	5,000,000.00				5,000,000.00	01/12/21	3133EKG2	AA+/Aaa	2.51	2.51	UBS	564	3,820,000,000.00	5,000,500.00	500.00
03/20/19	Federal Farm Credit Bank	5,000,000.00	5,014,191.67			650.00	5,014,191.67	02/11/21	3133EKAJ5	AA+/Aaa	2.50	2.49	Wells Fargo	594	2,978,429,851.98	5,053,550.00	39,358.33
11/26/18	Federal Farm 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	Union Banc	698	3,489,651,000.00	5,101,500.00	102,000.00
12/14/18	Federal Farm 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	717	3,580,898,760.00	5,096,750.00	102,470.00
11/15/18	Federal Farm Credit Bank	5,000,000.00	4,998,400.00		(1,600.00)		4,998,400.00	11/15/2									

04/06/17	Federal Home 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	17	85,000,000.00	4,998,400.00	(1,600.00)
11/01/18	Federal Home Loan Bank	5,000,000.00	4,927,250.00	(72,750.00)	0.00	4,927,250.00	09/26/19	3130A9EP2	AA+/Aaa	1.00	2.64	UBS	90	443,452,500.00	4,985,500.00	58,250.00	
12/12/18	Federal Home 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	110	538,000,833.70	4,968,350.00	77,433.33	
10/02/18	Federal Home Loan Bank	5,000,000.00	4,959,260.00	(40,740.00)	0.00	4,959,260.00	02/11/20	3130ADN32	AA+/Aaa	2.13	2.74	Wedbush	228	1,130,711,280.00	5,002,100.00	42,840.00	
06/03/16	Federal Home 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	249	1,245,000,000.00	4,971,900.00	(28,100.00)	
11/02/18	Federal Home Loan Bank	5,000,000.00	4,956,400.00	(43,600.00)	0.00	4,956,400.00	03/13/20	3130A12B3	AA+/Aaa	2.13	2.78	UBS	259	1,283,707,600.00	5,000,400.00	44,000.00	
04/20/16	Federal Home Loan Bank Bond (Callable)	5,000,000.00	5,000,000.00			5,000,000.00	04/20/20	3130A7RP2	AA+/Aaa	1.38	1.38	UBS	297	1,485,000,000.00	4,973,450.00	(26,550.00)	
06/08/18	Federal Home Loan Bank	5,000,000.00	5,000,000.00			5,000,000.00	05/28/20	3130AECJ7	AA+/Aaa	2.63	2.55	Wedbush	335	1,675,000,000.00	5,026,550.00	26,550.00	
11/02/17	Federal Home 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	350	1,750,000,000.00	4,987,400.00	(12,600.00)	
01/19/18	Federal Home Loan Bank	5,000,000.00	4,931,555.00	(68,445.00)	0.00	4,931,555.00	09/11/20	3130A66T9	AA+/Aaa	1.63	2.17	Wedbush	441	2,174,815,755.00	4,979,700.00	48,145.00	
05/03/18	Federal Home Loan Bank	5,000,000.00	4,861,370.00	(138,630.00)	0.00	4,861,370.00	09/28/20	3130ACE26	AA+/Aaa	1.38	2.57	Wedbush	458	2,226,507,460.00	4,967,000.00	105,630.00	
04/02/19	Federal Home Loan Bank (Callable)	5,000,000.00	5,007,187.50	(12,500.00)	19,687.50	5,007,187.50	01/29/21	3130ADFV9	AA+/Aaa	2.25	2.39	Union Banc	581	2,909,175,937.50	4,998,300.00	(8,887.50)	
03/26/19	Federal Home Loan Bank	5,000,000.00	5,034,968.89		17,955.00	17,013.89	5,034,968.89	03/12/21	3130AFV61	AA+/Aaa	2.50	2.31	Wedbush	623	3,136,785,618.47	5,049,800.00	14,831.11
06/22/18	Federal Home Loan Bank	5,000,000.00	5,000,000.00		0.00	5,000,000.00	06/11/21	313373ZY1	AA+/Aaa	3.63	2.70	Wedbush	714	3,570,000,000.00	5,168,550.00	168,550.00	
01/02/18	Federal Home Loan Bank	5,000,000.00	4,834,810.00	(165,190.00)	0.00	4,834,810.00	07/14/21	3130A8Q55	AA+/Aaa	1.13	2.09	Wedbush	747	3,611,603,070.00	4,937,700.00	102,890.00	
12/06/16	Federal Home Loan Bank Bond (Callable)	5,000,000.00	5,000,000.00			5,000,000.00	12/06/21	3130AACM8	AA+/Aaa	2.05	2.05	UBS	892	4,460,000,000.00	5,000,050.00	50.00	
04/17/19	Federal Home Loan Bank	5,000,000.00	5,023,550.00		11,050.00	12,500.00	5,023,550.00	03/11/22	313378WG2	AA+/Aaa	2.50	2.42	Union Banc	987	4,958,243,850.00	5,090,850.00	67,300.00
****	Total Federal Home Loans (20% limit)	85,000,000.00	84,427,268.06	15.47%								2.23				85,106,000.00	678,731.94
08/30/16	Federal National 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	35	174,321,000.00	4,993,950.00	13,350.00	
11/16/18	Federal National Mtge	5,000,000.00	4,936,485.00	(63,515.00)	0.00	4,936,485.00	08/28/19	3135G0P49	AA+/Aaa	1.00	2.63	Wells Fargo	61	301,125,585.00	4,990,500.00	54,015.00	
02/26/16	Federal National 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	151	755,000,000.00	4,985,600.00	(14,400.00)	
12/09/16	Federal National 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	151	755,000,000.00	4,987,800.00	(12,200.00)	
04/14/16	Federal National 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	200	1,000,000,000.00	4,981,250.00	(18,750.00)	
11/21/18	Federal National 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	207	1,022,293,305.00	4,987,050.00	48,435.00	
04/06/17	Federal National Mtge Note	5,000,000.00	5,000,000.00		0.00	5,000,000.00	02/28/20	3135G0T29	AA+/Aaa	1.50	1.50	Union Banc	245	1,225,000,000.00	4,980,800.00	(19,200.00)	
04/19/17	Federal National Mtge	5,000,000.00	5,000,000.00		0.00	5,000,000.00	06/22/20	3135G0D75	AA+/Aaa	1.50	1.42	Wedbush	360	1,800,000,000.00	4,974,500.00	(25,500.00)	
10/31/16	Federal National 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	396	1,980,000,000.00	4,974,600.00	(25,400.00)	
11/08/18	Federal National Mtge Note	5,000,000.00	4,988,350.00	(11,650.00)	0.00	4,988,350.00	10/30/20	3135G0U84	AA+ / Aaa	2.88	2.99	Union Banc	490	2,444,291,500.00	5,063,500.00	75,150.00	
11/27/18	Federal National Mtge Note	5,000,000.00	5,000,000.00		0.00	5,000,000.00	10/30/20	3135G0U84	AA+ / Aaa	2.88	2.86	UBS	490	2,450,000,000.00	5,063,500.00	63,500.00	
12/19/18	Federal National Mtge Note	5,000,000.00	5,000,000.00		0.00	5,000,000.00	06/22/21	3135G0U35	AA+/Aaa	2.75	2.65	Wedbush	725	3,625,000,000.00	5,090,300.00	90,300.00	
04/09/19	Federal National Mtge Note	5,000,000.00	4,982,761.11	(43,350.00)	26,111.11	4,982,761.11	01/05/22	3135GOS38	AA+/Aaa	2.00	2.33	Wells Fargo	922	4,594,105,743.42	5,026,250.00	43,488.89	
10/16/18	Federal National Mtge Note	5,000,000.00	4,812,355.00	(187,645.00)	0.00	4,812,355.00	10/05/22	3135G0T78	AA+/Aaa	2.00	3.01	Wedbush	1195	5,750,764,225.00	5,035,000.00	222,645.00	
****	Total Federal National Mtge. (20% limit)	70,000,000.00	69,639,166.11	12.76%							2.05					70,134,600.00	495,433.89
04/04/18	Federal Home 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	21	103,224,030.00	4,995,950.00	80,520.00	
08/29/18	Federal Home 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	21	103,627,650.00	4,995,950.00	61,300.00	
11/01/17	Federal Home Loan Mtge	5,000,000.00	4,981,055.00	(18,945.00)	0.00	4,981,055.00	08/15/19	3137EAH8	AA+/NA	1.38	1.59	Wedbush	48	239,690,640.00	4,994,650.00	13,595.00	
04/07/17	Federal Home 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	73	365,000,000.00	4,992,650.00	(7,350.00)	
04/17/17	Federal Home 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	96	479,188,800.00	4,987,900.00	(3,650.00)	
10/26/17	Federal Home Loan Mtge	5,000,000.00	4,998,375.69	(1,624.31)	0.00	4,998,375.69	10/25/19	3134GBH72	AA+/Aaa	1.63	1.64	Union Banc	119	594,806,707.11	4,991,000.00	(7,375.69)	
12/14/17	Federal Home Loan Mtge	5,000,000.00	4,961,180.00	(38,820.00)	0.00	4,961,180.00	01/17/20	3137EAE5	AA+/Aaa	1.50	1.88	Wedbush	203	1,007,119,540.00	4,982,300.00	21,120.00	
04/06/17	Federal Home 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	308	1,532,963,640.00	4,971,450.00	(5,380.00)	
11/21/18	Federal Home 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	398	1,949,125,400.00	4,980,800.00	83,500.00	
04/07/16	Federal Home Loan Mtge CP-Callable	4,800,000.00	4,800,000.00		0.00	4,800,000.00	10/07/20	3134G8Y06	AA+/Aaa	1.53	1.53	Union Banc	467	2,241,600,000.00	4,777,056.00	(22,944.00)	
12/06/18	Federal Home Loan Mtge	5,000,000.00	4,949,720.00	(50,280.00)	0.00	4,949,720.00	02/16/21	3137EAE19	AA+/Aaa	2.38	2.85	Wedbush	599	2,964,882,280.00	5,043,300.00	93,580.00	
02/23/18	Federal Home Loan Mtge CP-Callable	5,000,000.00	5,000,000.00		0.00	5,000,000.00	02/23/21	3134GSDK8	AA+/Aaa	2.50	2.50	UBS	606	3,030,000,000.00	5,003,900.00	3,900.00	
12/13/17	Federal Home 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	609	3,044,238,750.00	5,000,200.00	1,450.00	
04/20/17	Federal Home Loan Mtge(Callable)	5,000,000.00	5,000,000.00			5,000,000.00	10/20/21	3134GBJ89	AA+/Aaa	2.00	2.00	UBS	845	4,225,000,000.00	5,000,350.00	350.00	
04/10/19	Federal Home Loan Mtge (Callable)	5,000,000.00	5,000,000.00			5,000,000.00	01/10/22	3134GTBE2	AA+/Aaa	2.60	2.60	UBS	927	4,635,000,000.00	5,000,600.00	600.00	
04/24/19	Federal Home Loan Mtge (Callable)	5,000,000.00	5,000,000.00			5,000,000.00	07/24/23	3134GTFW8	AA+/Aaa	2.56	2.56	UBS	1487	7,435,000,000.00	5,026,100.00	26,100.00	
04/30/19	Federal Home Loan Mtge (Callable)	5,000,000.00	5,000,000.00			5,000,000.00	04/30/24	3134GTC04	AA+/Aaa	2.70	2.70	UBS	1768	8,840,000,000.00	5,018,550.00	18,550.00	
****	Total Fed HM LN Mtge, Corp Disc Note (20%)	84,776,830.00	84,404,840.69	15.46%							2.09					84,762,706.00	339,315.31
TOTAL		549,276,830.00	545,859,778.16	100.00%		(3,653,902.85)	83,255.00	153,596.01								549,679,422.01	
Cost of Investments		545,859,778.16	520,968,306.46	UBOC													
Cash in Treasury		28,235.78	25,000,000.00	LAF			236,851.01						TOTAL DAYS-COST			187,389,901,175.63	
Cash in US Bank		568,381.95		REPO									TOTAL COST AMOUNT			545,859,778.16	
Return Checks				LIR									WEIGHTED AVERAGE MATURITY			343.29	
Shasta Lake LAIF		264,527.55		GNMA									WEIGHTED AVERAGE MATURITY			0.95	
Active Deposits		7,129,504.99				(108,528.30)									DAYS		
Adjustments			545,968,306.46												YEARS		
Balance in Treasury		553,850,428.43															

I certify that this report accurately reflects the County Treasurers investments, and is in conformance with the adopted County Investment Policy Statement.

Furthermore, I certify to the best of my knowledge, sufficient investment liquidity, and anticipated revenues are available to meet the County's budgeted expenditure requirements